

SPECIAL TARIFF BOARD

Oral Evidence

recorded during enquiry regarding the level of duties necessary to afford adequate protection to the Indian Cotton Textile Industry against Imports from the United Kingdom of cotton piecegoods and yarn, artificial silk fabrics and mixture fabrics of cotton and artificial silk

Volume III



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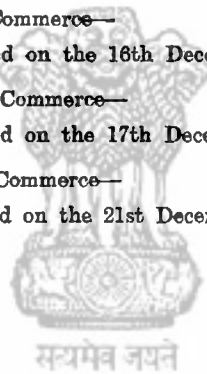
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TABLE OF CONTENTS.

	PAGE.
1. United Kingdom Cotton Textile Delegation—	
(1) Oral evidence recorded on the 12th December, 1935 . .	1
(2) Oral evidence recorded on the 13th December, 1935 . .	24
(3) Oral evidence recorded on the 14th December, 1935 . .	50
2. Southern India Millowners' Association—	
Oral evidence recorded on the 14th December, 1935 . .	71
3. Bombay Millowners' Association, Bombay—	
(1) Oral evidence recorded on the 19th December, 1935 . .	90
(2) Oral evidence recorded on the 20th December, 1935 . .	133
4. Ahmedabad Millowners' Association, Ahmedabad—	
Oral evidence recorded on the 23rd December, 1935 . .	145
5. The Bengal Chamber of Commerce—	
Oral evidence recorded on the 16th December, 1935 . .	186
6. The Madras Chamber of Commerce—	
Oral evidence recorded on the 17th December, 1935 . .	207
7. The Bombay Chamber of Commerce—	
Oral evidence recorded on the 21st December, 1935 . .	232



UNITED KINGDOM COTTON TEXTILE DELEGATION.

**Evidence of Messrs. ANGUS CAMPBELL, E. RAYMOND
STREAT, C.B.E., C. B. CLEGG, T. DUTTON, F. HOP-
KINSON and A. C. WILD, representing the United
Kingdom Cotton Textile Delegation, recorded
at Bombay on Thursday, the 12th
December, 1935.**

President.—Gentlemen, you are familiar with our terms of reference under which full opportunity has been given to you to consider all the cases submitted to the Special Tariff Board. I would like to explain that we have, in consultation with others interested in the case, including the mills, thought it advisable to hear your oral evidence first, and it is for that reason that we ask you to open the proceedings. You have already sent us your case. We have also handed you copies of other cases in which you are interested and you have been good enough to favour us with some notes on those cases. But I would like to know whether you wish to modify in any way your statements which you have so far handed to us on consideration of other people's cases that have been given to you. Perhaps the Leader of the Delegation would be good enough to start the proceedings with a general statement in the light of the cases that have already been submitted. In the first place, you might hand in a statement showing the various interests represented by you.

Mr. Campbell.—Yes (copy handed in).

President.—I find that we have before us a merchant, a manufacturer, a spinner and more than one Director, so that the United Kingdom Cotton Textile Industry is fairly represented.

Mr. Campbell.—Yes.

President.—Could you tell us whether there are any material sections not represented by you?

Mr. Campbell.—I don't think there is any section of the industry which is not represented by us.

President.—Am I to understand that you represent all the interests that are concerned in the United Kingdom in this particular reference?

Mr. Campbell.—Yes.

President.—Now you might let us know what you have to say.

Mr. Campbell.—The present Tariff Board has a problem to solve very different from any of its predecessors. It has to recommend a duty to equate the prices of imported goods from the United Kingdom with the fair selling prices of Indian goods so as to give the Indian industry adequate protection. The investigation is therefore confined to the prices of United Kingdom goods on the one hand, and the prices of Indian mill-made goods on the other, coupled with the considerations involved by the use of the words "fair selling prices" and "adequate protection" in the Terms of Reference. It is on this account that the Board has followed the new procedure of exchanging beforehand between the principal parties on each side the cases put in. We have had a full opportunity, which we very much appreciate, of studying the cases of the Indian Millowners, and I have no hesitation in saying that they have not disturbed our convictions regarding the validity of our case for a substantial reduction in duties. Surely nobody can deny that the tremendous decline in our trade, coupled with the corresponding increases in Indian production since the present duties operated on our goods, constitutes a strong *prima facie* case in our favour. The duties entirely prevent us from stemming the decline in our trade, notwithstanding increased

consumption, and the Millowners fail to bring forward and prove any other cause of the present situation than the high duties.

I maintain that the figures speak for themselves. In the year 1929-30 piecegoods imports from the United Kingdom amounted to 1,248 million yards: in the year 1934-35 they had dropped to 562 million, a decrease in five years of no less than 55 per cent. The facts as to the present year make the situation more rather than less serious from a United Kingdom point of view. Notwithstanding a slight but admitted improvement in conditions in India, United Kingdom imports have declined rapidly, even compared with last year's low levels. In the first seven months this year they have dropped to a level which for a full year would bring the annual figures to below 500 million yards.

We recognise that the boycott in 1930 and Japanese competition played an important part in the fall of our imports during the earlier years of this period. What we think the figures prove is that when conditions improved, the heavy duties entirely prevented us from making any substantial recovery from these misfortunes, and now the crippling effect of the duty is patently forcing our trade down to smaller and smaller volume.

As to the effect of the duties from an Indian standpoint, I call your attention to the sharp accentuation of the upward trend of Indian mill production since 1931. There has been, as the graph shows (in this connection I should like to hand you a graph* which I have drawn up), a steadily rising line, except for strike periods, for some time. Suddenly, in 1931, the rise becomes precipitate. This year's official figures show it is still rising, even more steeply. Is not this a significant comment on our claim that more than adequate protection has been given to the Indian mills?

We think this is a sufficient answer to the Bombay Millowners' argument that it is too early as yet to arrive at definite conclusions as to the effectiveness or otherwise of the present duties.

I should like briefly to examine the Millowners' cases and contrast them with ours. I should like to say how glad we were to see that they acknowledge in several places the importance of Japanese competition, and that they desire appropriate measures to be taken in the future. We should certainly agree with that view.

We appreciate very much the way India has recognised already the difference between the position of the United Kingdom and Japan in this matter. Apart from the very much larger balancing reciprocal trade of the United Kingdom, the fact is that Japan has entered the piecegoods market as a newcomer, and has caused highly disturbed conditions in every direction, to the detriment of both the Indian and the United Kingdom industry. It is therefore only reasonable that measures should have been taken two years ago by the Government of India, and these will require further consideration in the near future. I trust in this Indian interests and ourselves may continue to co-operate, and I draw attention to the statements made in our principal case in referring to cotton yarns. We there point out our mutual interest in early and satisfactory measures to deal with Far Eastern competition.

The samples handed in to the Tariff Board by the Millowners seem to me to reflect their real opinions perhaps better than their text. The samples are mainly made from counts of 40s and over. This rather suggests they do not deny their ability to deal with United Kingdom competition in lower counts. As to the fair selling prices quoted for these goods made from 40s counts and over—what we would call medium fine goods—I would like to ask how it is that certain Indian mills have successfully produced these goods if anything like the margins claimed between their prices and the prices of United Kingdom goods existed in reality. India is achieving steady development in the production of these goods, and to give special and heavy protection for them would only cause a premature and artificial development of plant before the necessary technical experience had been

*Not printed.

gained. The fact is that progress made gradually against reasonable competition is a far greater asset to the country as a whole than unduly rapid expansion.

Very weighty support in substantiation of the claim we make that the price comparisons handed in by us are thoroughly representative, may be found by comparing our price quotations with a graph showing the imports into India of United Kingdom piecegoods by separate categories. In those types of goods where our comparative price quotations show that the Indian mills can in many cases sell below United Kingdom figures even before duty is paid, it will generally be found that the line on the chart representing United Kingdom imports shows a steep decline. In cases where the price margins handed in by us are less, the line of decline is less steep. The same cannot be said of the price comparisons handed in by the Indian Millowners. They have little or no relation to the trade statistics, which justifies us in regarding them as less representative of the real situation than our own.

The financial results of the Indian industry have a certain amount of bearing on this enquiry, and no doubt cases can be quoted against us showing the losses made by certain mills. We would ask the Tariff Board to give equal weight to cases where profits have been made.

We think in general it will be found that losses have occurred more in mills that have been concerned in the production of goods involved in internal competition and Japanese competition, whilst those making the finer styles such as United Kingdom has been importing have frequently shown profits.

The Millowners' cases pay a lot of attention to their costs of production and the various burdens they have to bear, whilst our argument concentrates very largely on selling prices. Having regard to the terms of reference, I do not see how anyone could argue that actual selling prices over the past months had less relevance to this enquiry than theoretical costings. It is possible to say in good faith that it would cost so much to make a certain article, without ever having devoted existing plant to that article on any large scale. Such a costing I maintain is not realistic.

What concerns us as competitors is the price which we have to meet on the market, and we refuse to believe that in general United Kingdom competition has been causing Indian mills to take unprofitable prices in the last six months, to go no further back. The intensification of the decline in United Kingdom imports, which are 13 per cent. less in the last six months than in the same period the year before, by itself answers this question. If Indian selling prices have not been fair selling prices during that period, it is certainly no fault of United Kingdom competition.

If it were generally true that Indian mills were not realising fair margins, which I do not admit, the retention of a 25 per cent. duty on United Kingdom goods would be no cure for it. The only cure the Indian mills could find would be a solution of the problem of the internal competition from which they suffer. The fact is that not merely India, but the leading manufacturing countries of the world, have too much productive plant in cotton textiles, and I am sure that many Indian millowners must heartily wish that something could be done to put a moderate check on the too-rapid development of productive capacity in India, so that the plant in existence could have a breathing space to get on to a profit-making basis, instead of being repeatedly in difficulties with renewed outbursts of internal competition.

I am of opinion that it is easy to jump to hasty conclusions as to the consequences of a reduction in the duties on United Kingdom imports, but the question merits rather weightier consideration. There is, for instance, no ground to assume that it would lead to a flood of low-priced goods. Conditions in the United Kingdom rule out the possibility of abnormally low prices. If some United Kingdom lines came back in moderate quantities on the market, they would set standards of price and quality which should improve conditions as regards the margins obtainable by the Indian mills. It does not by any means necessarily follow that a reduction of X per cent.

in the United Kingdom duty implies an identical reduction in Indian price levels. In practice in a large market, various adjustments would follow, but not an automatic and *pro rata* lowering of Indian prices, which are already in many instances lower than United Kingdom prices by a handsome margin.

Many of these adjustments would help rather than hinder in maintaining fair prices for Indian goods, especially as they might reduce the dominance of low-priced Japanese articles. Then on a rather longer view, consumption has to be considered. It is now rising steadily, and one factor is the balancing export trade of India, from which the masses derive their purchasing power. Is it not better for the Indian mills that the United Kingdom should have a share of this increasing consumption, and thus be enabled to contribute to its further development by maintaining her purchases of Indian exports?

We appreciate the difficulty which faces the Tariff Board of determining precisely the level of duty necessary to equate the two price levels. The Board has a great deal of evidence before them from all sources, including ourselves, and although the task of examining and checking it will be laborious, we think there will eventually emerge reliable data as to the margins which exist. We fear it is inevitable, owing to the immense variation of texture in cotton fabrics, that these margins when ascertained will be found to vary considerably, even between different styles in the same broad categories. This being the case, the final solution can only represent something in the nature of an average, fixed with due regard to the factors of which the existence is proved. We are prepared to accept the inevitability of an average figure, although it may weigh more against us than for us. From the Indian point of view we contend that the great development of the Indian industry which the figures bear out has taken place under a system of an average duty, and there is no reason to suppose that an average duty will not meet the requirements of India equally well in the future. The Indian industry developed satisfactorily with an average duty much lower than at present, as is shown by the rising line of Indian production on the charts in the years before 1930.

In conclusion, I should like to say, on behalf of the Lancashire interests which my colleagues and I represent here, that a strong conviction is held that unless a substantial duty reduction be made effective in the near future, it will prove quite impossible to stem the declining tide of United Kingdom trade, and in a short space of time it will be of negligible proportions. The trade links consist of, not merely the United Kingdom firms, but importers and dealers in India, and once broken these links are hard to restore. The consequences for the interests we represent would be obvious, and I have tried to show that the consequences also for India would be far from healthy. The elimination of United Kingdom trade would mean that so many million yards less of imported goods would be on the market, but it by no means guarantees that the Indian mills would be able to sell the same quantity in addition to their present output, or that they would find their industry more profitable. We therefore leave our case in the hands of the Board, in the earnest hope that their judgment may be a favourable one.

President.—I must say that you have added to our problems by your opening remarks this morning. All that I would like to emphasise is this. Of course, you made references to Japan and to good many things that are not germane to our terms of reference. We have deliberately allowed people in their evidence to touch on anything they thought relevant to the terms of reference. But of course you must understand that when it comes to taking into consideration all these things by the Board, we ignore anything that is outside the terms of reference in our final recommendations. Our terms of reference, as you know, are "to recommend the level of the duties necessary to afford adequate protection to the Indian Cotton Textile Industry against imports from the United Kingdom", and by adequate protection is meant "duties which will equate the prices of imported goods to the fair selling prices for similar goods produced in India". I would like to take

you through one or two points in your case, as you have put it before us, to make sure that I understand it. For instance, in section II of your main statement you refer to the equation of fair selling prices as the basis of our present enquiry. I would merely ask you if you recognize that the selling price of Lancashire goods in India is to be equated to the fair selling price for Indian goods manufactured in this country?

Mr. Campbell.—Our contention is that as far as our own prices are concerned, you have means by which you can check all our prices either in the bazar or by collecting the records from importing houses. As regards Indian selling prices our contention is that if the mills have been selling over a period of months at a particular price, and are willing to continue to do so, that that should be accepted as the fair selling price.

President.—I shall now ask you a few questions regarding the method by which you propose to make a comparison, since you express the view that "the most convenient and efficient method of establishing a fair comparison of British and Indian prices would be to base our evidence on a series of representative Indian products". Do you adhere to that statement still?

Mr. Campbell.—I do. We very fully realise that it is one of the hardest cases that the Board has to settle and we never imagined that it would be possible to evolve a formula which would give the right figure at which to equate the prices. The fact is that the variations between case and case are so marked and the factors to be assessed are so much a matter of judgment that the right figure could only be arrived at first by collecting all the available data and then applying one's judgment to it. We formed the opinion that the best data we could submit to assist the Board in formulating their judgment would be the prices of lines actually sold in the market and prices from experienced Lancashire manufacturers who produced the equivalent article. We still think that evidence on these lines would be the most valuable on which the Board could work. We have heard since we came out to India that possibly enquiry into the prices of comparable cloths might be found helpful and we recognise that evidence on these lines might well be the most helpful.

President.—This means that although you started from Manchester with pre-conceived ideas as to how to equate the fair selling prices, you have to a certain extent modified your views?

Mr. Campbell.—We have realised the difficulties and we thought it would help you if we supplemented the original evidence of ours by trying to find out any comparable cases that there might be.

President.—The Millowners' Association and other people here have already communicated to us that the statistics attached to your note on comparative prices are more or less irrelevant to the present enquiry. The Bombay Millowners' Association say that they cannot agree to that method of assessing the prices. They have definitely objected to the line you propose. As you are aware, the Bombay mills have taken Lancashire goods and put Indian prices on them; you have taken Indian goods and put Lancashire prices on them and I want to know if you propose to modify your views in that connection. I do not want to stress the point any further except that I would be glad to know to what extent you are prepared to discard the ideas with which you started off from Manchester and what constructive suggestions you can put up instead.

Mr. Campbell.—We are not prepared to discard our preconceived ideas on the subject at all; we have tried to supplement them with evidence of as nearly comparable cases as can be found and when we have done that, we feel that is as far as we can go. With all the information that you have from us and not only from us but from the Indian millowners, we feel that it will be possible for you to come to some conclusion although we do admit there will always be a gap left owing to the difficulty of finding identical goods in the market. It will not be possible to bridge the gap by an arithmetical formula and when you have reduced the situation to a gap like that, it will then be time for the Board to use their own judgment

President.—We appreciate that. In that connection may I just ask you another question? You have emphasised the statement in your section II that the price comparison between different producers, not merely between Lancashire and Indian producers but also between mill and mill, vary so much more in the cotton textile industry than anywhere else and you say that the endless variety prevents you from finding out what you call a standard that will enable you to judge comparable prices. The Tariff Board always recognised that particular difficulty: we recognised that when we expressly asked in question 6 that we should receive comparable samples of competing articles, not merely indirect competition but comparable samples of articles competing directly or indirectly, and we are still making enquiries in this connection. Many samples were examined by you during the past few days; would you care to indicate now to what extent the samples of the United Kingdom cloths are in your opinion comparable with similar goods produced in India, that is sufficiently comparable to justify attempts to equate prices between them? How many samples have you been able to go over so far?

Mr. Campbell.—About 18 or 20 and on a great number of those—about 75 per cent.—we feel you should be able to draw some conclusion on a more or less comparable basis.

President.—That is to say, even in the absence of the standard type which you evidently cannot get in the textile industry, you still think it would be possible to set up on the one side what we will call the imported article and on the other side the Indian article and get a comparison?

Mr. Campbell.—We have not been able to give you large enough examples to expect you to draw any final conclusions on them. We still feel that it is impossible to come to any decision on, say, a half dozen samples over such a wide range of goods and that it will be necessary to collect more.

President.—Various associations and industrial bodies including yourselves and the Millowners' Association and the Chambers of Commerce have sent in to us a great range of samples. We have here expert knowledge of the industry from the other side—manufacturers, spinners and merchants—and we are wondering whether you could so go through the samples as to be able to classify them, that is place one set of samples against another in such a way as would be useful to us—comparable samples from the United Kingdom on the one side and on the other side comparable samples of Indian goods—and say what are the differences between them. If the difference is not very large, if there is slight physical difference, that is to say difference in counts or difference in size or difference in reed and pick, would it be possible to set one off against the other and assess the value of these differences and still get a comparison?

Mr. Campbell.—Only up to a point. Even supposing you do that, the furthest point that you could reach would still leave a gap between our quality and the Indian millowners' because although the samples that we could collect might be comparable, there would always be a wide range of difference between different qualities therefore you will never be able to come down to a definite figure.

President.—Though you have practical men on your side and you have practical men on the Indian side you think it will not be possible to assess the values of these slight physical differences which would enable us to fix a basis on which to equate the price? I do not want you to say anything now but if you could do it after looking at the samples again and placing one set of samples on the one side and another set of samples on the other we shall be very glad to consider that.

Mr. Campbell.—We should be very glad to do that.

President.—It is one of the avenues which is to be explored on which to base the adequate protection to be granted.

Mr. Rahimtoola.—Mr. Campbell, I would like to extend on behalf of the Board our cordial welcome to the Delegation which has come here to assist the Tariff Board in its present enquiry. I find from the statement

submitted to-day that the Delegation is fully representative of all the interests concerned. It is necessary, therefore, when such a responsible Delegation appears before us that before we start our enquiry we must get a clear idea as to what are exactly the terms of reference. I find from your printed statement that you approve with satisfaction with our terms of reference. The terms of reference are "to recommend on a review of present conditions and in the light of experience of the effectiveness of the existing duties, the level of the duties necessary to afford adequate protection to the Indian textile industry against imports from the United Kingdom". Then it further states "By adequate protection is meant duties which will equate the prices of imported goods to the fair selling prices for similar goods produced in India". These are the terms of reference to the Special Tariff Board and if I may be permitted to point out, most of the points raised by you creates an impression in my mind that they have not been fully understood by the Delegation. The Tariff Board is a judicial body and it has to rule out all irrelevant matters. From a perusal of your case I find that you have devoted too much attention to the protection of the Lancashire industry against Indian goods. As I go along I will point out that your whole anxiety is to protect the Lancashire industry against Indian mill-made goods which, I submit, is outside the terms of reference to the Board. Let me deal with your case page by page so that you will be able to understand the position better. The first point you have raised is that you have been "appointed delegates to submit to the Special Indian Tariff Board a case for reduction in the duties on cotton yarns and piecegoods of artificial silk and of cotton and artificial silk mixed, of United Kingdom origin". I would like to know what is the extent of reduction you have thought out when you say a case for reduction has been made out?

Mr. Campbell.—We have not considered any figure. We have tried to collect enough data to show that the Indian industry does not need the present high rate of duty. It would be quite impossible for us to say what is adequate protection for the Indian industry as we have not the information which the Board has, to enable us to come to that decision. All that we can do is to produce facts and figures to show that the present rate of duty is too high and that a lower rate of duty would still give the industry adequate protection.

Mr. Rahimtoola.—Throughout the representation you have tried to impress on the Board the necessity for a reduction of duties, and if a person goes to the extent you have done, it is reasonable to expect that you have considered the amount of duty which would give the Indian industry adequate protection.

Mr. Campbell.—With the information before you we leave it to the Board to decide that.

Mr. Rahimtoola.—In this connection I may go a little further and point out to you what I mean. I would like to take up the points on which you rely for a case for reduction. The most important point that you make is the fall in import figures. Am I right?

Mr. Campbell.—Yes.

Mr. Rahimtoola.—You have next dealt with the Mody-Lees Pact as the ground for reduction of the duty, namely that you have fulfilled your part of the agreement, and then you draw our attention to the question of reciprocal trade balances. I understand these are the three grounds on which you base your claim for a reduction of duties. Please correct me if I am wrong; I am merely taking the points raised in your representations.

Mr. Campbell.—We do not base the whole case only on these three points.

Mr. Rahimtoola.—On what other points do you base your claim for a reduction of duties? The Board would like to have a clear idea as to what the Lancashire Delegation want them to take into consideration before arriving at a decision.

Mr. Campbell.—First of all we base our claim on the import figures.

Mr. Rahimtoola.—That is right.

Mr. Campbell.—We further base it on the reciprocal trade and on the margin of price differences between us.

Mr. Rahimtoola.—That is a very important point. Are you referring to the explanatory note in which prices have been given? I would like to know what price differences you have in mind when you say that you are basing your case on the third item, viz., on the price differences.

Mr. Campbell.—On the statement with which we have provided you and on the supplementary evidence which has been handed in since our arrival here.

Mr. Rahimtoola.—What particular statement have you in mind?

Mr. Campbell.—Comparative price statement which was attached to our original evidence.

Mr. Rahimtoola.—Prices of Indian goods if made in Lancashire.

Mr. Campbell.—And the supplementary evidence which we have handed in since our arrival here.

Mr. Rahimtoola.—That does not deal with anything except the question of how the Board should estimate the fair selling prices.

Mr. Campbell.—We have handed in additional samples as well. We have supplemented this list with further samples which I mentioned to the President earlier. I think there are about 18 or 20.

Mr. Rahimtoola.—These more or less coincide with the samples you have given, because you have quoted here numbers B231 and B232 and so on which are, I find, contained also in the printed statement.

Mr. Campbell.—In the printed statement we gave the Lancashire price for identical articles. In the supplementary statement we tried to find out the Lancashire quality which could be found comparable in quality.

Mr. Rahimtoola.—With the Indian costing which you have given?

Mr. Campbell.—Yes, as far as we can.

Mr. Rahimtoola.—That completes the list?

Mr. Campbell.—Yes.

Mr. Rahimtoola.—I do not desire at this juncture to go into the details of the costings, but I would like to know how you arrived in general at these figures of Lancashire costings. I understand from your representation that these are more or less the fair selling prices of Lancashire for Indian quality.

Mr. Campbell.—We are not concerned with the costing of the Lancashire goods. All that we are concerned with is the selling price. We have tried to explain on the outside sheet of this statement how we have arrived at our selling price for the identical Indian quality. We have told you there that it is on a net c.i.f. basis, that is to say it includes cost, insurance and freight, but does not include any interest or any commission on either side.

Mr. Rahimtoola.—Why I am asking you that is this: the Board has been asked to estimate the fair selling prices of the goods which comes into competition directly or indirectly with United Kingdom goods. Since the Tariff Board was established, a certain formula has been laid down by which the Board arrives at the fair selling prices of the Indian commodities. In our questionnaire, we have asked under various heads the information which we require for dealing with this question as shown in Appendices A and B. I would like to know whether you have any observations to make about these heads, because I find that you have raised an objection to the industry getting as much as 8 per cent. profit on the block capital. I would like to know whether you have any other objection to the method by which the Board estimates the fair selling price for the purpose of equation.

Mr. Campbell.—As affecting Indian or United Kingdom goods?

Mr. Rahimtoola.—As affecting Indian goods. It is a question of adequate protection to the Indian Cotton Textile Industry.

Mr. Campbell.—It is outside our province to say whether the Board should accept what the previous Boards worked on or not.

Mr. Rahimtoola.—You have devoted a good deal of your representation to the question of the fair selling price and therefore I wanted to obtain your opinion after telling you what the practice has been in the past. If you say it is outside your province and leave it to the Board to decide, I have no objection.

Mr. Campbell.—We must leave it to the Board. As regards fair selling prices, we still maintain those prices which the mills have been selling at for some considerable time should be considered fair selling prices. Beyond that we cannot go, because we haven't got any further information available.

Mr. Rahimtoola.—You mean realised prices should be considered as fair selling prices?

Mr. Campbell.—Yes.

Mr. Rahimtoola.—What is the period which you would ask the Board to take into consideration?

Mr. Campbell.—Our prices were taken as far back as April. We considered that the mills were willing to sell at such prices.

Mr. Rahimtoola.—Have you any knowledge whether the Indian mills are making profits?

Mr. Campbell.—There are a number of balance sheets published and some of them show a profit.

Mr. Rahimtoola.—Would you name the mills? I would like to refer to them, because in this connection we have received consolidated balance sheets for the year 1933-34 from the Textile Industry which gives quite a different picture. It would be interesting for the Board if you could give the names of the mills which are making profit to-day so that we can examine their balance sheets. I will give you the figures given by the millowners. In 1933 they made a loss of Rs. 1,33,86,969 if you include the depreciation. If you don't include the depreciation, the loss is Rs. 18,30,025. In 1934 the profit made excluding depreciation was Rs. 42,37,178. If you include depreciation, the loss is Rs. 70,80,626. This is the picture which the Indian industry has presented to the Tariff Board as regards the mills situated in Bombay. Are there any mills which, you know, are making profits on production? I know one or two mills which are declaring dividends. But they are able to do so because they have got large reserves and they are getting income from investments.

Mr. Campbell.—We can only go on the published results. There again another point is that you have access to information which we haven't got. We would consider that that is a matter for your investigation and not for us. The published results are available to everybody.

Mr. Rahimtoola.—You must have something in mind when you say that mills are making profits and that the realised prices should be taken as fair selling prices. The picture which the Indian industry has presented to us and the experience which the Board have in arriving at fair selling prices lead to quite a different result. When you are saying the case for reduction is made out and the present duties are excessive, it is necessary for us to find out what is the present financial position of the industry. I would now like to deal with the question of import figures. The import figures are given in Table 4 of your printed statement. When did the depression start? What are the years of depression as far as the cotton trade is concerned?

Mr. Campbell.—The year was 1930-31.

Mr. Rahimtoola.—The depression started in 1930-31.

Mr. Campbell.—Yes.

Mr. Rahimtoola.—I am asking you about the world depression when prices of all commodities went down, imports also went down. I understand the year was 1929.

Mr. Campbell.—The world depression may have started in 1929, all depends on the view you take.

Mr. Rahimtoola.—Your imported figures have gone down from 1,456 million yards in 1928-29 to 1,247 million yards in 1929-30.

Mr. Campbell.—The world depression started about 1929. Obviously if it started about half way through 1929 it would not have an effect on the market till some months later. Therefore the full effects were not felt throughout the world till 1930.

Mr. Rahimtoola.—The figures of 1930 disclose the world depression and the protective duties first came into force on the 1st of April 1930, namely 15 per cent. *ad valorem* or 3½ annas per lb. on grey goods and 15 per cent. on others. As soon as this legislation went through there was the boycott of the British goods. I need not go into the history of the debate that took place in the Legislative Assembly and what happened afterwards. It was only when the pact between His Excellency Lord Irwin and Mr. Gandhi was signed that the boycott was lifted and that was somewhere, I think, in February, 1932. I would like to know what import figures you would like us to take to describe normal condition in order to trace the decline pure and simple due to the results of the duties.

Mr. Campbell.—We have acknowledged throughout our evidence that one has got to consider the boycott, the world depression and also Japanese competition. These three factors have to be taken into consideration alongside with the increased duties over this earlier period and also for 1931. After that period you had the intensity of the Japanese competition when the duty was raised from 50 per cent. to 75 per cent.

Mr. Rahimtoola.—That was only for six or seven months.

Mr. Campbell.—Yes, and then in 1934 you had the quota. It is impossible to put your finger on any one of those and say that it is wholly responsible for the decline in our trade. What we do say is that if the duty was not at all responsible for the reduction in our trade, as and when the higher duties and quota were enforced on Japanese goods, our figures would automatically have recovered. This was not the case. With the exception of a slight increase which corresponded with a larger consumption per head, our figures have declined.

Mr. Rahimtoola.—Have you made enquiries as to the causes that led to the decline? What I find is that the imported goods from Lancashire are generally goods which are catered for the urban area and not for the rural area. They are better class goods and are meant generally for the middle and upper class people. Differential duties are imposed, as you know very well, for the benefit of the consuming classes. The consumers of Lancashire goods to my mind dwell in the urban area and if you study the history of the last three or four years, you will notice that the purchasing power of these people has gone down because of heavy taxation in India namely Central, local and municipal and unless some efforts are made to better their position, I don't think even with a reduction of duty, you will be able to see any appreciable improvement in the imports from Lancashire. This point has been also made in a lesser degree by the Marwari Chamber of Commerce of Calcutta.

Mr. Campbell.—If I may say so, if you don't think that any improvement can possibly come even with the reduction of the duty, there is no harm in the reduction of the duty.

Mr. Rahimtoola.—I am coming to the question of the reduction of duty at a later stage. I am now dealing with import figures and pointing out that it is not only the duty, but there are several other causes which are responsible for the decline. One of the main causes is the capacity to buy better class of goods by the consuming public. As importers you ought to know better what the position of the consuming class is. I have given you an idea of what I think is one of the main causes for the depression in Lancashire trade.

Mr. Campbell.—It is hardly for me to argue whether they go into urban India or not. I don't think that the Lancashire goods are confined to the urban area. From my short experience I can say they are to be found throughout the whole of India.

Mr. Rahimtoola.—My enquiries have shown that they are mainly confined to the cities. That is why I say urban area. Generally the masses cannot afford to wear these better quality goods which are expensive to buy. The prices of Lancashire goods are generally higher than those of Japanese or Indian goods.

Mr. Campbell.—I have been to a good many agricultural districts and I have always found our goods there. That is all I can say.

Mr. Rahimtoola.—May be a very small proportion. Anyway, that is my experience. With regard to the 25 per cent. duty at present in vogue against the United Kingdom goods, our attention has been drawn by the Millowners to the handicaps under which they are labouring. I wonder whether your attention has been drawn to their statement pointing out how the duty, though given by one hand as a protective measure for a period of years, has been taken away by the other. If you will see their supplementary statement, you will find that the handicaps on which they lay stress are the duties of 6 pies per lb. on raw cotton, 10 per cent. on dyestuffs, mill stores, mill machinery and spare parts and 15 per cent. on starch and farina. I am not going into the question of artificial silk now. I am confining myself to cotton piecegoods. The Marwari Association pointed out that England still enjoys 12½ per cent. advantage over the Indian market by the exchange ratio, so that if you calculate all these items, it may be found that the Lancashire goods are coming in free of duty.

Mr. Campbell.—I should not like to accept what the Marwari Chamber said on the question of rupee-sterling ratio. I think that it is beside the point altogether.

Mr. Rahimtoola.—I don't think that it is beside the point. The ratio certainly gives to the imports from the United Kingdom 12½ per cent. clear advantage. That has been debated both in the Assembly and other places and I am also going to ask the Millowners' Association about that because it has been definitely raised in one of the representations that have been presented to us.

President.—When was the ratio fixed?

Mr. Rahimtoola.—In 1927.

President.—That was about ten years ago.

Mr. Rahimtoola.—Yes.

President.—Do you think that the advantage is still there?

Mr. Rahimtoola.—Yes. If you ask any Indian business man he will tell you that the 12½ per cent. advantage given to the British imports is still a burden to the industries in India which have to compete with British goods. I will take up this point with the representatives of the industry.

Mr. Rahimtoola.—In your main statement, you say that you have fulfilled your part of the transaction with regard to the Mody-Lees pact.

Mr. Campbell.—I should very much rather not discuss the Mody-Lees pact for this reason that the Government of India have given effect to that part of the pact which they thought fit and they have instituted this enquiry to determine the rate of duty that should be operative at the end of this month. That being so, no useful purpose would be served by going over the past and discussing the pact.

Mr. Rahimtoola.—I am only doing it for this purpose that you have mentioned two points arising out of that and you want us to take them into consideration in support of your proposal for the reduction of the duty. If you are not pressing the points regarding the increase of raw cotton exports and the opening of markets for Indian products outside India, then

I don't propose to discuss the pact. I am only dealing with your representation point by point so that I may give you full opportunity to place all your views especially when you are asking for the reduction of duty. If you don't desire to press these points, I have no objection to leaving the Mody-Lees pact alone.

Mr. Campbell.—The only point that I wish to bring out on that is that I should like it to be known that for our part we do intend to carry out the spirit of that agreement. We are most anxious that the friendly relations should continue and for our part we shall continue to do everything we can to further the use of Indian cotton. I think that perhaps India does not realise what is being done in that respect. The increase in cotton consumption may not appear to be very large on the surface, but I should like it to be known that the energy and money that is being expended in Lancashire at the present time to further the use of Indian cotton is having very good results and that we very much hope that the figures will continue to increase. Last year they amounted to just under 400,000 bales and the figures for this year are ahead of those of last year. I should like it to be known, as far as we are concerned, that we are doing everything we can to continue our efforts because we are firm believers in the policy of reciprocity which is the underlying one of the Mody-Lees pact.

Mr. Rahimtoola.—You yourself have just now said that India knows very little of the efforts that the Lancashire people have made with regard to Indian raw cotton, and I wanted to know whether you would not like to inform the Board as to the progress you have made in this direction. I would like to ask you a few questions as to what is being done with the Indian cotton, and what happens to the piecegoods made out of them. If you don't desire to go into those questions and if you don't attach any importance to them I would rather leave it at that.

Mr. Campbell.—We should be very glad to give you any information that we can.

Mr. Rahimtoola.—I want to understand what is the actual use you are putting the Indian cotton to.

Mr. Street.—I think the Indian Central Cotton Committee has been very fully and regularly posted as to the activities of the Lancashire Indian Cotton Committee, and I think it is fair to say that everything that the Lancashire Indian Cotton Committee has done has been done with the closest possible co-operation with that body in India which has been entrusted by the Government of India with the major responsibility for Indian Cotton. I am personally no technician on the raw cotton aspects, but I have satisfied myself that every representation coming from the Indian Central Cotton Committee was considered and acted upon.

Mr. Rahimtoola.—I quite appreciate your friendly relations with the East India Cotton Association, the Central Cotton Committee and with Sir H. P. Mody. But I am now thinking of the actual use you are putting the Indian cotton to, what kind of the Indian cotton is being exported to United Kingdom and whether you are able to sell the goods made out of Indian cotton. These are the points that might prove useful with regard to the future of the cotton industry to which you have also laid such a great emphasis.

Mr. Campbell.—The great bulk of the Indian cotton is used for the home trade in England.

Mr. Rahimtoola.—What will be the proportion of fine counts?

Mr. Campbell.—I cannot answer that question.

Mr. Street.—It has never been suggested that the same cotton came back to India in piecegoods. That point has not been made.

Mr. Rahimtoola.—Japan is importing cotton from India, manufacturing it in Japan and selling goods made from it in India. I want to know

whether you are marketing them in India or whether you are selling them outside India?

Mr. Streat.—Definitely. So long as we take and pay for the Indian cotton what does it matter? We are spreading them over all our domestic and overseas markets.

Mr. Rahimtoola.—You can only continue to buy if you are able to sell the goods made out of them. That is the important point that concerns the trade. You have laid some stress on the undue expansion of the Indian cotton manufacturing industry and go on to say that the rate is too rapid. You have also produced graphs in support of this statement. I would like to understand your point in a little more detail as to what exactly you wish to convey thereby. I want to know whether you object to this undue expansion, or whether you feel that this is not in the interest of India. The object of protection, as I understand it, is the industrial development of the country and if the development is to take place on right lines it must lead to the fall in imports and if the progress is rapid it means that the duties have proved effective. I am therefore not quite clear in my mind as to what you wish to say when you mention that the industry is expanding at too rapid a rate.

Mr. Campbell.—We believe that if any industry—it does not matter what industry it is—has an excessive amount of protection and is stimulated by artificial means rather than by natural means, ultimately it is an embarrassment not only to the industry but to the whole economy of the country. We can give instances from various countries. We believe that an industry should develop under its own momentum and by that means should become efficient and be able to stand the strain of any fluctuations or adverse world conditions similar to that which we all experienced during the slump in 1930.

Mr. Rahimtoola.—I want to know what your proposal is. Shall we ask the Indian industry to stop producing more goods?

Mr. Campbell.—It seems to me that as they are complaining so much of over-production and internal competition, they might be the first to be glad of that.

Mr. Rahimtoola.—It may be that there is over-production in certain lines. But so long as imports are coming in, there cannot be any over-production in the country. India is still consuming as much as 1,000,000,000 yds. from foreign countries. In 1933-34 the total imports were about 1,000 million yards. Therefore, there may be over-production in certain lines of goods, but there is no over-production in the sense in which we understand the term.

With regard to the third point which you have made namely the reciprocal treatment, you have given us the United Kingdom Cotton Industry's figures. The reductions that took place on import duties were as a result of the Ottawa agreement?

Mr. Campbell.—Yes.

Mr. Rahimtoola.—All of them?

Mr. Campbell.—Yes.

Mr. Rahimtoola.—You draw our attention to the state of the Cotton Industry in England. What is the point that you want to make in this connection. You say "It is also true in relation to other Indian products than raw cotton for Lancashire represents such a large proportion of the consuming power of the United Kingdom for all commodities that a decline in its prosperity would make it difficult for the country as a whole to continue the expanding consumption of Indian products mentioned above".

Mr. Campbell.—That is simply to say that we cannot import if we do not export. As we are such large importers taking about 30 per cent. of

your exports, any diminution in our trade will affect the imports of your goods.

Mr. Rahimtoola.—That means the exports from India into the United Kingdom would be affected.

Mr. Campbell.—Yes.

Mr. Rahimtoola.—If there is no reciprocal arrangement?

Mr. Campbell.—Quite.

President.—When you are drawing the attention of witnesses you must not go outside our terms of reference.

Mr. Rahimtoola.—If you will bear with me a little, I am drawing their attention to this very point. My point is this that this is a matter which you can only take up with the Government of India or arrive at some sort of agreement with trade interests in this country, but as far as the Tariff Board is concerned it is not relevant to our enquiry.

In your memorandum you say "There is no prospect of any development occurring in Lancashire which would reduce the general level of her selling prices in India, and thus vitiate the soundness of any recommendations the Board might make". Do you make this point only with regard to cotton piecegoods or is it the general position?

Mr. Campbell.—That particular reference refers only to piecegoods and cotton yarn.

Mr. Rahimtoola.—In your memorandum you raise the point about quality, feel or durability, etc., and say "The trade which the United Kingdom has retained has been for the most part in goods which possessed some special attribute of quality, appearance, feel or durability, or else has been gained on facilities United Kingdom suppliers were able to offer or on the attractiveness of some well-established marks". I would like to understand this point more clearly. Are there not goods produced in India which compare favourably in feel, appearance and so on?

Mr. Campbell.—We are not casting any aspersions here on the production in India.

Mr. Rahimtoola.—I do not mean that at all: I am only asking you whether you have any experience of Indian goods with regard to all these points mentioned by you, because these are points which affect manufacturing costs and the comparability of products.

Mr. Campbell.—I should say that the qualities that are now coming into India have really almost become of a specialised character. We have lost all the trade that was done in the coarser kinds now and the trade that has been retained is in the medium and fine goods and in a great number of cases the only incentive there is to buy our goods is our superior finish or registered design or trade mark. But for that our trade would be on a smaller scale than it is to-day.

Mr. Rahimtoola.—You have laid great stress on the point that price comparisons between different producers are more difficult in the textile industry and, amongst the different branches of the textile industry, most difficult of all in the case of cotton goods. But I would like you to read the next paragraph and give me your suggestions as to how these comparisons are to be made in order to equate Indian prices with the c.i.f. prices. I am only asking you whether it is possible for you to suggest some scheme by which you think the prices could be equated with regard to plain grey goods, coloured goods and so on? Could you give us representative samples, or point out to us if you have already given the samples, of the qualities that are actually coming into India to-day and are competing with Indian goods under the various heads? I would like to lay emphasis on the goods that are actually being imported into India at the moment.

Mr. Campbell.—That is almost the same question which the President asked.

Mr. Rahimtoola.—That is so. I would like to have representative samples of United Kingdom goods which according to you are competing with Indian goods, directly or indirectly, under the various heads and are either being sold in small quantities or are not being sold at all owing to the present level of duties. Our terms of reference are to equate the fair selling prices of imported goods with similar goods made in India. As I understand it, similar means "similarly produced".

Mr. Campbell.—We will attempt to do that.

Mr. Rahimtoola.—You say that "the margins obtaining in the case of those specific lines between Indian and United Kingdom prices are representative of the margins generally obtaining". What are you referring to?

Mr. Campbell.—We are referring to the printed statement.

Mr. Rahimtoola.—These goods to which you refer were actually bought in the Indian market?

Mr. Campbell.—We do not say that we have bought all these goods; the prices are based on Indian mills' selling quotations.

Mr. Rahimtoola.—Have you made enquiries whether these goods are really on the market at present?

Mr. Campbell.—The great majority of these are on the market still. I won't say that every quality mentioned here is to be found in the bazar to-day; that would be going too far, but I say that a great majority of these are on the market still.

Mr. Rahimtoola.—And the prices that you have been able to obtain are from the mills themselves?

Mr. Campbell.—No; from our agents here.

Mr. Rahimtoola.—Agents who are stocking these goods?

Mr. Campbell.—No.

Mr. Rahimtoola.—I would like to know how you have been able to obtain these prices, what months these prices relate to and whether these are goods which are actually on the market. I may add that I would like to have the reeds and pick, width and length.

Mr. Campbell.—We have given you detailed information as regards the dates and prices of all these goods in this statement.

Mr. Rahimtoola.—And the dates you have given are the dates on which you have been able to get the prices?

Mr. Campbell.—Yes.

Mr. Rahimtoola.—The number of quotations obtained is 3: what is exactly meant by that? For instance take B101—Colaba Land mills. You say the number of quotations obtained is 3. Are they of the same quality?

Mr. Campbell.—Yes but obtained on different dates.

Mr. Rahimtoola.—You have put down 14th October 1935?

Mr. Campbell.—We obtained three prices but to get a proper comparison of the prices with the identical article in Lancashire we took one date.

Mr. Rahimtoola.—You took three samples on the 14th October of the same quality and found the prices equal of all the three samples.

Mr. Campbell.—We had the samples sent Home. We had three prices at varying intervals and we gave one Lancashire price against that. As we got the Lancashire price on 15th October 1935 we gave the nearest Indian price to that date.

Mr. Rahimtoola.—14th October 1935 is the date on which you obtained the Indian quotation and it was the lowest quotation of the three?

Mr. Campbell.—Yes.

Mr. Rahimtoola.—You have tried to give us the most recent prices because the quotations are all for 1935?

President.—As I understand it these dates that you have given all refer to this year—all during the past six months?

Mr. Campbell.—That is right.

Mr. Rahimtoola.—May I draw your attention to B108? Take David Sassoon mills. You have taken 10 quotations: what is the meaning of 13 for the United Kingdom? Is that the average you have taken here, April to September?

Mr. Campbell.—That was the average over that period.

Mr. Street.—I will try to explain the position. Where it was possible to get over a similar period a number of prices it was averaged because the average was always to be preferred to an isolated example. We did our best to obtain 13 prices over the same period from both ends, but as you know, when you start making enquiries you cannot always get it as it depends on market conditions. In cases where we did not get an exactly corresponding series we chose the nearest and we furnished you with this list so that you might not be under any misapprehension as to the choices we made in regard to a particular line.

Mr. Rahimtoola.—I am at present confining myself to seeking information. Here are 10 samples of one quality that you took from one mill?

Mr. Street.—10 prices of the same article at different dates.

Mr. Rahimtoola.—You obtained 10 prices between April and September and you have taken your own average also. You costed your 13 samples against the 10 Indian samples. You obtained 10 samples of Indian mill made goods and costed them in this statement; you averaged the prices. How did you arrive at the average of the United Kingdom goods?

Mr. Campbell.—We took the prices over the same period in Lancashire and averaged them out.

Mr. Rahimtoola.—According to your statement these are all Indian goods with United Kingdom prices and not United Kingdom goods at all. That means costed in Lancashire after taking the samples from India.

Mr. Campbell.—Yes.

Mr. Rahimtoola.—If that is so, how did you arrive at the Lancashire price?

Mr. Clegg.—What happens really is that over a period, according to fluctuations in the prices of cotton, prices of cloth vary. It was therefore desired to give the fairest comparisons that we could and where there were 13 prices available from India for the same sample

Mr. Rahimtoola.—Not 13 but 10 prices.

Mr. Clegg.—We had 10 prices for the same sample over that period. The United Kingdom manufacturer who quoted for the identical cloth made in Lancashire was asked to go through his records of price fluctuations during those six months and say exactly what prices he would have taken on certain dates and then an average of those prices was taken to get a fair comparison.

Mr. Rahimtoola.—That means you took 10 sorts of costings and then averaged it.

Mr. Clegg.—They were asked to give a price for the same cloth at fortnightly intervals between April and September.

Mr. Rahimtoola.—Irrespective of the dates on which the prices of Indian goods were obtained.

Mr. Clegg.—Yes, but the prices of Indian goods were also averaged.

Mr. Rahimtoola.—They need not be of the same date.

Mr. Clegg.—No.

Mr. Rahimtoola.—You made 10 costings of one Indian quality in order to arrive at an average which is equal to the Indian average.

Mr. Clegg.—That is what it comes to. It is really costed once.

Mr. Rahimtoola.—I would like to know what has actually happened. We can only consider the figures submitted by you and draw our conclusions. How have you been able to arrive at these comparisons? It is a very important point. Therefore I am laying great stress in order to find out what has actually happened in Lancashire.

Mr. Campbell.—Let me make it quite clear. Those samples were sent Home to us. They were tested by Shirley Institute. We had prices sent Home from India for the majority of these, say, every fortnight. If you want the actual dates, they can be given to you. Then those qualities having been tested in Lancashire, the manufacturers in Lancashire were asked to give their prices every fortnight for those goods. Supposing that the period was between April and September during which those prices had been collected, then they were averaged and it is that average that appears in the statement.

President.—In other words you took one Indian sample and one United Kingdom costing against that sample. There were 13 fortnights between April and September. You took all these 13 dates and averaged the samples. You put one against the other and averaged it.

Mr. Campbell.—Yes.

Mr. Rahimtoola.—That means they costed one Indian cloth 13 times. It must come to that. It cannot be anything else.

Mr. Campbell.—In that sense, yes. We did not ask the Shirley Institute to cost 13 times. Once we knew what the particulars of cloth were, they were asked to go into the market and ascertain prices.

President.—Once having arrived at what the physical properties of the cloth were, you got quotations once every fortnight for six months.

Mr. Rahimtoola.—You kept the manufacturing costs and the overheads the same and went on changing the prices of cloth according to the change in the prices of cotton.

Mr. Clegg.—Yes.

Mr. Rahimtoola.—These are the numbers of samples. What is the number of quotations obtained? You have said Indian and United Kingdom. I want to understand what this means.

Mr. Clegg.—In some cases we haven't got available 13 or 10 or whatever we wanted. The largest number was 13. We wanted to get prices of one side or the other for various reasons. In those cases the nearest dates so as to make the things comparable as far as possible were selected and the prices which have been equated on these dates were put against one another.

Mr. Rahimtoola.—What do these numbers indicate below United Kingdom?

Mr. Clegg.—Which column?

Mr. Rahimtoola.—The very first column. You say No. B101, 3.

Mr. Clegg.—3 indicates that prices for Indian cloth were obtained on three different dates in India. 1 indicates that one United Kingdom price was obtained. There must have been some special reason for that.

Mr. Rahimtoola.—You costed only once.

Mr. Clegg.—Yes.

Mr. Rahimtoola.—Take the next item B102, 3 and 13.

Mr. Clegg.—In that case prices were obtained from the United Kingdom manufacturer on 13 different dates.

Mr. Rahimtoola.—And the Indian only three?

Mr. Clegg.—Yes.

Mr. Rahimtoola.—What made you do that?

Mr. Campbell.—What happened there was this: when we had these samples sent Home, we hoped that we should be able to get the price every fortnight for them, but sometimes it was not very easy to get these prices.

Mr. Rahimtoola.—Probably the quality might have gone out. It may not be in the market.

Mr. Campbell.—I think we should have been advised by our agents if it had gone off. Even when the quality was on the market, it was not possible to get the selling price, but we might get the bazaar quotation.

Mr. Rahimtoola.—You said they were quotations.

Mr. Campbell.—I am talking of the Indian quality.

Mr. Rahimtoola.—Yes, I am also referring to them. You just now told me that quotations were obtained from India. They may not be the selling prices.

Mr. Campbell.—They were the Indian Mills' quotations.

Mr. Rahimtoola.—Therefore you were not able to obtain quotations, though you say that the last quotation you obtained of Indian goods was 14th October, 1935. I am surprised that only 3 quotations were obtained against 13.

Mr. Campbell.—We were disappointed that we could only get 3.

Mr. Rahimtoola.—The Indian quotation was dated 14th October, 1935 and the Lancashire quotation was dated 1st October, 1935.

Mr. Campbell.—We were not on the spot here. We had to rely on our friends out here to collect this information for us and we were in their hands. We had hoped we should get these quotations. It was for this reason that we got our manufacturers to give quotations every fortnight.

Mr. Rahimtoola.—You have not been able to obtain it every fortnight. You see the quotations here, 12th April, 1935, 26th August, 1935 and 14th October, 1935 ranging from 4 months to two months.

Mr. Campbell.—They were only able to get those prices.

Mr. Rahimtoola.—What I say is how can you compare these prices with the Lancashire prices to obtain the difference. You have taken three samples out of 13 and 13 means that you costed 13 times.

Mr. Campbell.—We took the three nearest dates comparable to the Lancashire costing in India.

Mr. Rahimtoola.—You have taken 13 against 10.

Mr. Campbell.—We thought that was near enough.

Mr. Rahimtoola.—10 prices of Indian goods as against 13 costings of Lancashire and you averaged both and you thought that would give a fair idea.

Mr. Campbell.—Yes as between 13 and 10.

Mr. Rahimtoola.—I need not go into all these, because I think they are all similarly done.

Mr. Campbell.—Yes.

Mr. Rahimtoola.—I should like to go into the question of the Japanese competition dealt with in the next paragraph. You state here "Had there been no quota on Japanese goods, it might have been possible to argue that the fall in the United Kingdom trade was caused by Japanese competition but the figures of trade since the introduction of the Japanese quota make it abundantly clear that of the increased trade which that measure has reserved for other suppliers, the Indian mills have been able to secure the bulk".

I want to understand the point that you make arising out of the quota that was imposed on Japanese goods. Was it the object of the Protocol that the bulk of the loss of Japanese trade owing to quota should go to the United Kingdom? Is that what you wish us to understand?

Mr. Campbell.—That is the last thing in the world.

Mr. Rahimtoola.—Then what is your complaint? You say that the bulk of the increased trade went to India.

Mr. Campbell.—We were disappointed with the percentage share which came to us.

Mr. Rahimtoola.—Japan, as you know, is competing in coarser qualities which, as you say, you are not touching now. You are able to retain the Indian market because of the special quality and special attractiveness of your styles. I don't understand why there should be any complaint with regard to the division of the trade lost by Japan.

Mr. Campbell.—The Japanese quota included all styles, if you remember.

Mr. Rahimtoola.—The quota was restricted to 400 million yards of all qualities under all heads.

Mr. Campbell.—We thought it was more likely that quite a number of qualities would come to us, but they did not.

Mr. Rahimtoola.—Japan has not completed the whole quota.

Mr. Campbell.—In the first year she imported 347 instead of 400 million yards. There is every indication that she will fill her quota this year. All the figures so far tend to confirm that.

Mr. Rahimtoola.—Do you mean in 1935-36?

Mr. Campbell.—Yes.

Mr. Rahimtoola.—I suppose I need not touch the question with regard to the Ceylon market and what class of goods have benefited. That is one of the points you raised with regard to the Mody-Lees Pact. I shall therefore come to the third section of your representation. You say "Our main application for the Tariff Board is for a uniform reduction in the existing 25 per cent. *ad valorem* customs duty on cotton piecegoods". You want that the duty which is now in existence on plain grey of 4½ annas per lb. including the two surcharges should be abolished. Is that the meaning conveyed here?

Mr. Campbell.—I wouldn't say that. What we intend to imply by that is that the specific duty on plain grey is a prohibitive one.

Mr. Rahimtoola.—Do you want a reduction both of specific duty and of *ad valorem* duty or the total abolition?

Mr. Campbell.—That matter we leave in the hands of the Tariff Board.

Mr. Rahimtoola.—When you say it should be uniform, to my mind it can only read that the whole specific duty should go, otherwise it cannot be uniform. There is a distinction at present in existence with regard to the plain grey and others. If you want to make the whole thing uniform, it means total abolition of the specific duty.

Mr. Campbell.—We are opposed to the specific duty and we should like to see it abolished.

Mr. Rahimtoola.—That is what I want to get at.

President.—Do you want it to be abolished against the United Kingdom?

Mr. Campbell.—Yes.

President.—Not against all countries?

Mr. Campbell.—No, they are different.

Mr. Rahimtoola.—Do you want the 25 per cent. *ad valorem* duty to remain uniform for all goods or do you want that duty also to be abolished altogether?

Mr. Campbell.—We want a uniform reduction in the *ad valorem* rate of duty.

Mr. Rahimtoola.—Do you also want a reduction in the present level of duty?

Mr. Campbell.—Yes.

Mr. Rahimtoola.—That is your proposal?

Mr. Campbell.—Yes.

Mr. Rahimtoola.—You want us to base this reduction on the costings that you have given?

Mr. Campbell.—Yes, supplemented by the additional information which we have given you.

Mr. Rahimtoola.—Supplemented by the additional information, viz., the comparable goods.

Mr. Campbell.—Yes and also our chart here.

Mr. Rahimtoola.—Chart only shows the way in which the imports have behaved. Chart does not give me the prices. I am afraid we cannot base our recommendations on import figures. We can only deal with prices of one against the other.

Mr. Campbell.—It helps you to get a true picture of the whole position.

Mr. Rahimtoola.—It can only give a true picture if the mills had made excessive profits or if the mills had been able to obtain more profit than the fair selling prices fixed by the Tariff Board. That could only give a true picture with regard to prices. The question of production boils down to the question of prices.

Mr. Mudaliar.—Mr. Campbell, I am a newcomer to this Tariff Board and therefore I have not got the accumulated knowledge that is necessary to put forward the right solution. At the moment, I am probing for information in various directions. First of all, with reference to the terms of reference and what a Tariff Board is expected to do, I hope to get enlightenment later, but at the present moment I should like to tell frankly how my mind is working with reference to what are called protective duties and what a Tariff Board is expected to do. Now when a Tariff Board is asked to find out what protection an industry requires, primarily Tariff Boards in various countries, I find, have gone on the basis of trying to find out the production costs in the country of the Board and in the foreign country. That has been the basis of many Tariff Boards, and so far as I could understand the history of the question, the Tariff Board being the result of the Fiscal Commission's recommendations, the Fiscal Commission also suggested that what the Tariff Board should primarily do is to find out the costings of particular goods in this country and take the costings of foreign goods and then try to equate them making allowance for freightage to the principal market of consumption both for the domestic product and for the imported goods. If Tariff Boards in India have not been able to follow exactly that procedure, it is owing to a difficulty which has presented itself not merely to the Indian Tariff Boards but to many other Tariff Boards of different countries. While it is quite clear that we can have access to information which will enable the Tariff Board to find out the costings of the domestic product, it is very difficult to get all the information possible which will enable the Tariff Board to find out the costings of the foreign article. Therefore it is as against that the Tariff Board has been driven to the necessity of taking what is next best the landed prices or the selling prices of the foreign goods in the domestic market. You have given us costings of Indian cloth made at Lancashire. If you are in a position to satisfy us—apart from the question whether you are legitimate in taking Indian cloths and making costs—regarding every detail of your costings in Lancashire, if you are in a position to give us all the information which we could get from Indian mills at present for their costings, I personally think that it would be a fair way of arriving at your costings and their costings and equating the two allowing for other factors. It seems to me the difficulty is not because costings of one country should not be compared with the costings of another country, but the difficulty is due to the fact that the Tariff Board is not able to check your costs. Have I made myself clear? With reference to the theoretical costings that you have presented, whether you are entitled to take Indian goods and work out their costings is a different thing. Perhaps you can justify it because after all you want to compete in this country. Suppose you are first comers into this country. You will naturally take the styles prevalent here to your place, cost them

and then try to compete here. Then, if a Tariff Board were making the enquiry at that initial stage before ever your goods came into this country, it would be quite justifiable to take the Indian mill production to your country and find out the quotations, but as I said the difficulty seems to me that you are not in a position to enable us to check your costings.

Mr. Campbell.—I am afraid we are not. We cannot give you the costings of our goods. All that we can ask you to do is to try and check those prices which we have given to the best of our ability by drawing comparisons of qualities and prices in the market at the time.

Mr. Mudaliar.—That is what I am going to do. In the absence of information at our disposal to check your costings in detail the statement that you have given us can only be an indication to check your selling prices here and as you have put it to a certain extent to check the Indian mill costs. It cannot be taken as an absolute indication for equating prices.

Mr. Campbell.—We know it to be so. Of course we understand your position. We realise that it would be difficult for you to do so. But in our own mind we are absolutely confident that the prices that we have given are accurate prices.

Mr. Mudaliar.—I do not want to impeach the validity of your prices or suggest that they are not fair prices or accurate prices. But it is one thing for you to say that and it is another thing for the Board to come to a decision that what you say is absolutely correct.

Mr. Campbell.—I accept that.

President.—I have the same difficulty. The point is that we cannot check the theoretical prices of Indian samples which are not coming into the country from Lancashire. Therefore we are driven back to prices of Lancashire goods sold in the country.

Mr. Campbell.—You would be able to obtain from the bazar indications as to whether these prices which we have included in the list were badly wrong or approximately right.

President.—The Indian prices we can check, but your prices of Indian samples are difficult to check.

Mr. Mudaliar.—As regards the Indian prices you suggest that if a particular Indian product has been selling in the Indian market for a fairly long period at a uniform price, we might take that as a fair selling price. In other words, that is the price at which the merchant reasonably anxious to make a profit has been selling and therefore it means that it is a profitable price so far as the merchant is concerned. That is your case.

Mr. Campbell.—Yes.

Mr. Mudaliar.—I take it that you put forward as a general proposition that if any particular kind of goods is selling in the market for a fairly long period, merchants being taken to be reasonably anxious about profits and not to throw their money away in the market, they should be taken to have sold it at a fair selling price. That is the general proposition.

Mr. Campbell.—Yes.

Mr. Mudaliar.—Now let us go back to the stage when an industry requires protection. Goods are selling at certain prices at that stage. They have been selling at those prices for a fairly long period. Therefore they must be taken as fair selling prices. But the very fact that the industry comes forward and asks for protection means that they cannot be fair selling prices. If your theory of a fair selling price being determined by a long range of prices in the market of a particular kind of goods is to be substantiated, it cannot stand the test which I have put forward, viz., that at the time when an industry is asking for protection, that is not the fair selling price for the industry. It cannot be.

Mr. Campbell.—It all depends whether an industry is an infant industry or not. We contend that the Indian industry cannot claim to be an infant industry.

Mr. Mudaliar.—Perhaps there are one or two other assumptions that I should have made. A particular type of goods is being sold for a fairly long period—never mind the standing of the industry. The industry asks for protection on the ground that it is losing and the Tariff Board finds, apart from the standing of the industry, that protection is necessary and is justified. On these assumptions would you not admit that your test of a fair selling price will not be applicable to that kind of goods?

Mr. Campbell.—Yes.

Mr. Mudaliar.—Now coming to present conditions, we have a protected industry. Apart from the views of millowners who might ask for an increased protection—and they would have to justify their case—apart from that consideration, it may be taken that the industry being protected, the millowners are in a position to sell their goods at the protected price and they have also been actually selling those goods for a fairly long period at that price. Therefore you infer that that must be the fair selling price of the mills.

Mr. Campbell.—I should say when you are dealing with the question of fair selling price, as you have already indicated, it will always be necessary to check their costs and their balance sheets.

Mr. Mudaliar.—That you have said in your supplementary memorandum. You suggest that we might take the realised price as an index of fair selling price and check it first with the balance sheets of the mills and secondly with the costings which the mills have given. I want your help to understand the question of costings, as a practical man. Supposing a mill is making a variety of goods and the costings are made and actually goods are sold on the basis of those costings, am I to understand that those costings are in any way scientifically accurate or am I to think that there is a certain amount of arbitrariness in the way in which these figures are put against particular items?

Mr. Campbell.—Your latter construction is a correct one.

Mr. Mudaliar.—Am I correct in thinking that a manufacturer, if he produces 15 different goods and fixes their prices, may in fact be putting less costings against some and more against others, and the only check that he has got is at the end of the year when he finds whether he has made a profit or a loss?

Mr. Campbell.—That is correct.

Mr. Mudaliar.—Therefore it is very difficult, taking any particular goods, to say "I am making a loss on these goods and my realised price is less than what the fair selling price ought to be".

Mr. Campbell.—That is perfectly correct.

President.—Might the manufacturer not have *bond fide* costs to the best of his ability? He always knows what the costs are of individual articles that he is selling. Because there is a good demand for one particular article as against another, he is able to adjust the price with his full knowledge of their costings. Profits on one he hopes to set off against losses on the other. It does not necessarily follow that his costings to the best of his knowledge will be wrong. He will only be selling at different prices because he is forced to sell at those prices irrespective of costings.

Mr. Campbell.—That is correct.

Mr. Mudaliar.—The manufacturer might deliberately be selling part of his goods below the fair selling price and be making profit on the other part. That is not unknown to the trade.

Mr. Campbell.—It is quite common.

Mr. Mudaliar.—In that case, if you want to have a correct position of whether a particular kind of goods is being sold at an unreasonable selling price or not, you really have to get the whole range of goods which the manufacturer produces and test it with his selling prices.

Mr. Campbell.—Yes.

Mr. Mudaliar.—One way of doing it is to test it with the balance sheets of the manufacturer. With reference to those kinds of comparable goods, I am a lay man and know only to wear goods. The way it strikes me is this. While the technician and the manufacturer believe that there are wide ranges of goods and while it is perfectly true that the variety of goods that can be produced on any staple line—for instance take mulls—is infinite because of the permutation and combination of counts and reeds and picks, the consumer who is the ultimate judge after all believes in the comparable goods produced. I go to the market and want a piece of mull. The dealer has probably got Indian goods on one side and the Japanese goods on the other and the United Kingdom goods on the third side. I ask him to produce a swadeshi mull. He produces a certain mull. Again I ask him to show me a *bideshi* mull. He produces Japanese and United Kingdom goods, and the consumer by his rough and ready means—probably by a look at the finish and feel—makes his ultimate choice, that choice being after all to a large extent determined by the price factor. Would you not suggest, from the consumer's point of view, that he has got comparable goods whatever technicians may say?

Mr. Campbell.—From that point of view, I should say "Yes".

Mr. Mudaliar.—When you are asking for protection or when you are asking for a reduction, what are you thinking of? Are you thinking of reeds and picks and counts of yarn or are you thinking of the ultimate purchaser?

Mr. Campbell.—We have to think of the ultimate consumer.

Mr. Mudaliar.—What is the difficulty in comparing textile goods?

Mr. Campbell.—The difficulty is more on the question of how to equate prices.

Mr. Mudaliar.—There you are perfectly right. The difficulty may be in arriving at the equation with reference to prices because while goods are comparable from the consumer's point of view, they are not comparable from the manufacturers' point of view and therefore the costings would differ. Though the goods apparently look alike and have a similarity in outward appearance, they are really far remote where the question of technical composition of the goods is concerned.

Mr. Campbell.—I should think so.

Mr. Mudaliar.—With reference to that, can you put us wise as to how goods from the technical point of view can be compared or is it impossible?

Mr. Campbell.—I do not think that anything more can be done beyond what I have suggested so far to both the President and Mr. Rahimtoola. I do not think that there is anything further that I can say on the subject.

(Evidence continued on 13th December, 1935.)

Mr. Mudaliar.—Yesterday before we broke up for lunch we had reached a stage where I was discussing the question of comparable qualities. I want to leave that at that stage for the present and would like to go back to your main case with reference to the incidence of the duties. Our terms of reference ask us to find out the effectiveness of the existing duties and give what in our opinion has been the experience of the trade with reference to the effectiveness of the existing duties. As I understand it, in your case you have made a general statement about the duties being excessive and your imports having therefore gone down. You have also stated that there were other causes operating, apart from the incidence of the duties, to reduce your imports. I wish to understand your case and to see how far we are in a position to eliminate, or, if we are not in a position to eliminate, to give their proper value to the different causes, apart from the duties which have had a bearing on the reduction of the imports. Yesterday you said that the depression had some effect, the boycott had some effect, the duties had their own effect. From your case I find that you are not relying so much on the depression, but I want to know whether I have understood you aright on that subject. In your Table I you give production, imports and consumption of cotton piecegoods in millions of yards, and you want us to understand from this that the consumption of goods has gone up; the mill production has gone up throughout the period and that your imports have been to a certain extent steadily going down. Do I understand your position rightly with reference to this depression and the effect of it on imports if I put it this way: a depression can have two effects: it can lower the consumption of any particular commodity. The purchasing power of the people being low they cannot buy as much as they used to buy before the depression set in. If, on the other hand, you find that the consumption is either steady or is going up, what must have happened, having regard to the depression, is that the value of goods must have gone down. That I take it is your case?

Mr. Campbell.—Yes.

Mr. Mudaliar.—Am I right again in understanding the position in this way: consumption having steadily gone up and the purchasing power of the people having gone down, it is the price value of goods that must have kept pace with the diminishing purchasing power of the people to retain consumption or enable the consumption to advance? Then you take three sets of figures, Japanese, Indian mill made goods—you can leave for the time being handloom goods because you will find that they are fairly steady throughout the period—and your own imports. As I understand it, you argue that because the mill production has gone up in spite of the depression and the diminishing purchasing power of the people, because the Japanese imports have also gone up and your imports have gone down, it means that relatively you have not been able to adjust your prices to the diminishing purchasing power of the people and therefore your prices have been too high. Am I right?

Mr. Campbell.—Quite right.

Mr. Mudaliar.—I have been analysing these figures with reference to quinquennial averages. I have taken three periods, 1920-25, 1925-30 and 1930-35. The result that I got from those analyses is this. The total consumption was 4,120 million yards average annual, in the first period, 4,808 in the second period and 5,129 in the third period; that is to say, the consumption has steadily gone up. And if you take the depression period, 1930-35, in that period the average annual consumption has gone up by 321 million yards. Your case is that that is due, having regard to the well-known diminishing purchasing power of the people during the depression period, to the relatively low prices of the goods sold. Let us take mill made goods first. In the first quinquennial period the average annual

production was 1,742 million yards, in the second it was 2,176 and in the third it was 3,012 million yards. That is to say, during the depression period mill made cloth has gone up by 800 million yards and the corollary you want us to draw from that is that the prices of Indian mill made goods must have come down considerably to meet the purchasing power of the people. Let us now take the Japanese goods. In the first quinquennial period it was 129 million yards, in the second 340 million yards and in the third it was 490 million yards. Finally I take yours. In the first quinquennial period 1920-25 it was 1,326, in the second period 1,400 and in the third it was 498 million yards. So that while the consumption has gone up during the depression, Indian mill production has gone up, Japanese imports have gone up and yours have gone down by about 74 per cent. Apart from all other causes what you suggest, if I understand aright, is that it can mainly be prices that have pulled down the imports from United Kingdom relatively to others and that if prices were high the elasticity of production costs so far as you are concerned being what it is, it is the incidence of duty that affects you.

Mr. Campbell.—We think that it is fair to say that the diminishing returns are due to the high rate of duty.

Mr. Mudaliar.—To a certain extent in evaluating the cause for the reduction of imports, or in another sense with which we are more directly concerned, in ascertaining the effectiveness of the duty would you not think that depression has played a vital part?

Mr. Campbell.—No. The 4½ annas duty has played the most important part.

Mr. Mudaliar.—Having regard to the fact that the purchasing power during the depression period has gone low and that you are the only people who have not been able to adjust your production to meet the purchasing power . . .

Mr. Campbell.—Our figures show a decrease rather than an increase.

Mr. Dutton.—The figures given by Mr. Mudaliar are the total average imports for the third quinquennial period.

Mr. Rahimtoola.—Could you give us the average for the United Kingdom?

Mr. Dutton.—Yes. 498 million yards.

Mr. Mudaliar.—I am sorry. It is the duty that has effected more than anything else a reduction in the imports: that is the main basis of your case?

Mr. Campbell.—Yes.

Mr. Mudaliar.—I would like to analyse these duties a little further. During 1930 the duty was raised to 15 per cent. on all goods with an alternative specific duty of 3½ annas per lb. on plain grey goods and then came the subsequent surcharges in April, 1931, and in September, 1931, except with reference to yarns. Virtually you were in the same position so far as differential duties are concerned in which you were in September, 1931, with reference to yarns above 50s. Let us now come to Table 4 and take plain grey goods. You have said in your memorandum that the specific duty has been particularly harmful to your imports and that 'catastrophic fall' has happened owing to the incidence of the specific duty. That is a phrase which I have taken from your memorandum. If you see the total grey goods here, in 1929-30, that is before the specific duty was ever levied, you were importing 520 million yards, in 1930-31 it fell to 143 million yards, the whole of that year being subject to the incidence of the specific duty. Of course you will realise that that was the boycott year also. Then it fell to 59.7 in 1931-32 and recovered in 1932-33 when, as you say, as a result of the removal of boycott everybody anticipated large demands and put forward large orders: in 1933-34 it dropped again to 68.2 and in 1933-34 it again rose to 102.7 million yards. In the same Table you have analysed plain grey and bordered grey—plain grey being goods

subject to a specific duty and bordered grey subject to the *ad valorem* duty. In plain grey goods you will find that while in the year 1929-30, before the year of specific duty, it was 76.0, it has fallen to 25.4 million yards in 1930-31 from which figure it has hardly recovered during the succeeding four years in spite of the lifting of the boycott.

Mr. Campbell.—Yes.

Mr. Mudaliar.—Thanks to the very excellent statistics that the Secretariat of the Bombay Millowners' Association have sent in, I have gone into the figures a little more in detail to see where you have dropped and where you have kept up your trade. The two main lines in which you were importing are, I see, longcloth and shirtings, and jaconets and madapolams: longcloths and shirtings you imported in 1929—I am referring to calendar years—28 million yards: in 1930, nine months of which was of course the period during which the specific duty was in force, the import was 9 million yards: in 1931, where during 9 months there was the first surcharge of 5 per cent. and the second surcharge of 25 per cent., the import was 2 million yards and in the following years the imports were 3 millions, 4 millions and 2 millions respectively. Am I to understand that longcloth and shirtings are generally made of what you would call coarse counts?

Mr. Campbell.—It is round about 36s and 38s.

Mr. Mudaliar.—So that they would be fairly heavy and therefore they would come under the incidence of the specific duty?

Mr. Campbell.—Yes.

Mr. Mudaliar.—In jaconets and madapolams the drop has not been exactly to the same extent and I will give you the figures. In 1929 it was 58 million, in 1930, 29 millions, in 1931, 22 millions, in 1932, 24 millions, in 1933, 24 millions and in 1934 it was 20 millions yards. Am I to understand that jaconets and madapolams are made of finer counts of yarn?

Mr. Campbell.—Most of the goods coming under that category are grey mulls which are made of finer counts which do not come under the specific duty.

Mr. Mudaliar.—In the Table you have furnished relating to the incidence of *ad valorem* and specific duties in your printed memorandum you state that virtually in 1933-34 and 1934-35 it is more or less the *ad valorem* duty of 25 per cent. that is affecting the imports and not so much the specific duty in grey goods. That bears out the import figures that longcloth and shirtings have dropped out practically and your imports are now in finer goods—jaconets and madapolams—and from that you would argue that so far as the specific duty on plain grey goods is concerned its working has been such that if you had kept up your imports to that line of goods, they would have vanished as they have vanished in other lines?

Mr. Campbell.—There is no other construction which you can put on that.

Mr. Mudaliar.—That is why in your memorandum you state specifically that the specific duty should be done away with?

Mr. Campbell.—Yes.

Mr. Mudaliar.—From the general point of view we can approach this question. Our terms of reference being limited I do not think that I should be justified in raising a general issue of specific duties as against *ad valorem* duties. As you know, there are eminent and ardent advocates on both sides but I cannot enter into this question. Generally from 1930 may we take it that prices of textile goods have been falling all over the world and with reference to your own imports also though you have suggested in the earlier portion of your memorandum that they have not fallen sufficiently steeply to cope with the diminishing purchasing power of the people, your prices have fallen down in relation to the specific duties. It is claimed as one of the advantages and certainly it is a fact that when prices are

falling, specific duties bear a very much higher incidence than when they were first intended. That is to say if $3\frac{1}{2}$ annas were the incidence of a duty on plain grey dhooties which was valued at Re. 1 for a particular weight, if the price goes down from Re. 1 to 12 annas and the specific duty remains at $3\frac{1}{2}$ annas, the incidence will be greater and you will have to pay a higher *ad valorem* rate of duty.

Mr. Campbell.—Quite.

Mr. Mudaliar.—If the specific duty had remained at $3\frac{1}{2}$ annas in the falling market, you would still have had a more intensive incidence of duty than was contemplated in 1930. As a matter of fact what has happened is that *pari passu* side by side with the falling of prices, the specific duty has gone up from $3\frac{1}{2}$ annas to $4\frac{1}{2}$ annas, so that on the one hand you have the falling prices and on the other hand the rising specific duty and naturally you would find under those circumstances that where specific duties are applicable to certain kinds of goods, those goods cannot come in. In other words your suggestion is that so far as the specific duties of plain greys are concerned, it is not so much a protective duty as a prohibitive duty.

Mr. Campbell.—It is a prohibitive duty.

Mr. Mudaliar.—There will be another side of the case presented as against that. Now with reference to the boycott, I don't desire to go into it in greater detail than I can help. Take your Returns in Table 4. The year 1930-31 was the year of the first boycott. It so happened—I can tell you from my own experience—that the fiscal year 1931, our budget year practically coincided with the start and end of the boycott so that throughout that period of 1930-31 there was intensive boycott. 1930-31 is a full year of boycott. Take your plain grey goods. In 1930-31 your imports were 25.4 million yards. It has practically remained the same thing in 1934-35 almost producing the identical figure of 25.1. In the meantime the surcharges had come. Would you put it in this way: what was attained by the intensity of the boycott in 1930-31 has been attained by the intensity of the duty in 1934-35. You refer in your memorandum that when the boycott was lifted, you expected a greater resumption of trade.

Mr. Campbell.—Yes.

Mr. Mudaliar.—If conditions had continued the same as they were at the time of the boycott so far as the duties were concerned, in other words you say your expectations would have been realised and the easing of the market by the lifting of the boycott would have allowed you a greater latitude of entry into the market.

Mr. Campbell.—Yes.

Mr. Mudaliar.—But in the meanwhile apart from the boycott the increase of duties came in and when the boycott was lifted, the increased duties stayed on and you found that virtually your position had not improved.

Mr. Campbell.—Our position had not improved, otherwise it would have been reflected in our quantities.

Mr. Mudaliar.—Therefore you argue that while you cannot take the boycott years into consideration, the incidence of duties imposed after the boycott clearly shows that the duties have achieved as much as the intense boycott had done in that year.

Mr. Campbell.—Yes.

Mr. Mudaliar.—More or less the same thing holds good with reference to bordered grey and bleached goods.

Mr. Campbell.—Yes.

Mr. Mudaliar.—With reference to printed goods I have just received a memorandum from the Chairman of the Bombay Piecegoods Native Merchants' Association which has some valuable observations with respect to printed goods and I do not know whether they have any bearing on the

subject, but I will put it to you. With reference to printed goods in 1930-31 your imports were 70 million yards as against 130 million yards in 1929-30. In spite of the boycott the decline has not been as stiff. You say in 1931-32 the imports were 50.9 million yards; in 1932-33 the imports had gone up to 88.4 million yards; in 1933-34 the imports were 55.9 million yards and in 1934-35 the imports were 97.1 million yards. Similarly the Japanese imports have gone up. With reference to the printed goods the Indian mill production is very small, is it not?

Mr. Campbell.—Yes.

Mr. Mudaliar.—I believe somewhere about 20 to 25 million yards. Whatever you may say about the comparability or the non-comparability of goods, I think you, experts, must acknowledge that plain goods, bleached goods and coloured goods cannot easily take the place of printed goods.

Mr. Campbell.—I should say that the class which most easily takes the place of printed goods would be artificial silk goods.

Mr. Mudaliar.—No other kind of grey or bleached or coloured goods—certainly not grey and bleached goods.

Mr. Campbell.—Generally speaking no.

Mr. Mudaliar.—If that is so, it means that there has continued a demand for printed goods all through notwithstanding the heavy incidence of duty and therefore high prices which during this depression period have had to be paid and notwithstanding the boycott.

Mr. Campbell.—Yes.

Mr. Mudaliar.—And to a certain extent the same is the case with reference to your piece-dyed goods. Is that what you were referring to when you said that in spite of the incidence of the duty you have been able to keep up your imports in certain styles and in certain lines of goods, a statement with which you opened in your memorandum and to which reference was made by my colleague yesterday. In the statement showing comparisons of the fair selling prices of United Kingdom and Indian products, you say: "The trade which the United Kingdom has retained has been for the most part in goods which possessed some special attribute of quality, appearance, feel or durability, or else has been gained on facilities United Kingdom suppliers were able to offer or on the attractiveness of some well-established marks".

Mr. Campbell.—That is one of the examples we had in mind when we made that statement.

Mr. Mudaliar.—That is to say, as a matter of mere fact, would I be right in drawing this inference that the quantity of printed goods produced by the Indian mills is about 20 million yards? The quantity of printed goods for which there is a demand in the country is somewhere near 200 million yards. Those 200 million yards are shared between you and the Japanese importers, so that the consumer is paying 25 per cent. on your goods and 50 per cent. on Japanese goods. With reference to printed goods there is virtually no competition so far as the Indian mill made goods are concerned.

Mr. Campbell.—That is a fact.

Mr. Mudaliar.—To that extent it is merely benefiting Sir James Grigg and not the Indian mills.

President.—Has there been any material increase in printed goods?

Mr. Campbell.—During the last 18 months there has been a little.

Mr. Rahimtoola.—We may be satisfied for the present with the statement of Dewan Bahadur.

Mr. Mudaliar.—That trade the Bombay Millowners' Association say is still in its infancy. Now I should like to go to your reference to Colonial markets and Ceylon in particular. As my friend said there is no desire to discuss the Clare-Lees Mody Pact. The Clare-Lees Mody Pact has been

considered as a very good thing by some people and perhaps some people still continue to think that the Clare-Lees Mody Pact is a good thing. On the other hand it has been anathema to others. We have nothing to do with the Clare-Lees Mody Pact. Our terms of reference in spite of the preamble in the Government order do not ask us to take into consideration those factors which weighed with Sir William Clare-Lees or your Delegation or the Bombay Millowners' Association under Sir H. P. Mody when you arrived at that agreement. We have nothing to do with it, but I take it that your reference to the Clare-Lees Mody Pact is merely meant to air your views to the Indian public at large and not particularly to place them as weighty considerations before the Tariff Board in arriving at equated prices. Am I correct in that?

Mr. Campbell.—That was our object.

Mr. Mudaliar.—In this memorandum you say: "We fully appreciate that the Tariff Board is concerned primarily with the actual questions set out in its terms of reference. The full text of the resolution appointing the Board, however, draws attention to some of the circumstances surrounding the enquiry, and we think our motives and objectives will be clearer if we make a few observations on them". That is to say you wanted your motives and objectives with reference to the demand or to the request you are putting forward to be properly understood by the Indian public. You do not for a moment think in equating prices we are going to be influenced either by the beneficial results of the Clare-Lees Mody Pact or the horrible results that might have accrued therefrom. We have nothing to do with it. You realise that.

Mr. Campbell.—Yes.

Mr. Mudaliar.—Your reference to Ceylon is not based on the Clare-Lees Mody Pact, as I understand it. As I understand your case it is a very important point if you can substantiate it. Your case is that in the Ceylon market British goods and Indian goods have the same facilities or have the same disabilities. Indian goods and British goods are on identical terms with reference to import restrictions.

Mr. Campbell.—Yes.

Mr. Mudaliar.—And the level of duties.

Mr. Campbell.—Yes.

Mr. Mudaliar.—Therefore British and Indian goods are competing on identical terms. There is no preference to Indian goods there at all. If Indian goods can compete on equal terms with the United Kingdom goods in the Ceylon market, why do they want any protection in their own home market? That briefly is your main case.

Mr. Campbell.—Yes.

Mr. Mudaliar.—Have you taken care to see what kind of goods are going from India to Ceylon and what is the market?

Mr. Campbell.—The position is that we should like to draw the comparison of imports for the years 1933 and 1935. In grey goods Ceylon in 1933 imported 23,000 yards. In 1935 she imported 1,047,000 yards, an increase of 4,452 per cent.

Mr. Mudaliar.—What year?

Mr. Campbell.—This is on the basis of the first six months of this year. In bleached goods in 1933 she imported 160,000 and in 1935 for the same period 1,786,000, an increase in percentage of 704. In dyed goods she increased her imports from 8,810 to 15,255. In printed goods she increased it from 5,000 to 79,000, an increased percentage of 1,480 which shows clearly that she can compete with us on a wide range of goods. We entirely appreciate that the heading of dyed goods largely comprises what you might call almost specialised goods which come from the Madras area but we show what we consider to be important items to demonstrate the progress that India is making in grey bleached and also printed goods.

President.—When did the quota come into force in Ceylon against Japan?

Mr. Campbell.—In 1934.

President.—If Japan were sending to Ceylon low grey goods and the quota was imposed, it would be natural that the Indian figures would increase relatively in that particular class of goods.

Mr. Campbell.—Except that Lancashire could have made low grey goods.

President.—You might look at it in the light of the quota established in 1934 and see what the effect was on the competition between India and Lancashire in Ceylon as regards these types of goods.

Mr. Mudaliar.—I will give you some figures regarding Ceylon. I think you will find that it doesn't bear out your case. I am coming to other Colonial possessions later. In the year 1929-30 India exported 18,767,365 yards to Ceylon out of which 18,459,566 yards were coloured goods. As you say coloured goods have a story of their own to tell. They have very little relations with mill made productions.

Mr. Campbell.—Yes.

Mr. Mudaliar.—That is to say the total grey and bleached goods imported into Ceylon were just 307,799 yards, out of the total imports of 18,767,345 yards. In the year 1930-31 17,613,466 yards were imported into Ceylon of which 17,481,251 yards were coloured goods again leaving 132,215 yards for grey and bleached goods. For the year 1931-32 17,104,625 yards were imported into Ceylon of which coloured and dyed goods were 16,945,208 yards leaving 159,417 yards for bleached and grey goods. In the year 1932-33 13,098,496 yards were imported of which coloured and dyed goods were 12,925,074 leaving 173,422 yards for grey and bleached goods. In the year 1933-34 13,386,607 yards were imported of which coloured goods were 13,294,092 yards leaving a balance of 92,515 yards. Would you say then that the Indian mills have been able to export substantial quantities of grey and bleached goods to the Ceylon market and stand competition with your imports there?

Mr. Campbell.—I have never said that they exported a substantial quantity. I gave the actual figures showing what they were exporting only to point out the increases that they were making.

Mr. Mudaliar.—According to yourself, coloured goods have to be excluded from this market, and if they have to be excluded I venture to submit very respectfully that your statement here is most misleading. The inference that you want us to draw you have stated in so many words. "The competitive efficiency of the Indian cotton industry when directly compared with the industry in the United Kingdom is further emphasised by the shares obtained by Indian exports in the case of the Ceylon market in which both industries take an active interest and where they compete on equal terms" and you give figures for the United Kingdom—19·66 million yards in 1930 and 12·76 million yards in January-June, 1935—and for India—13·24 million yards in 1930 and 9·39 million yards in January-June, 1935. These millions should be left out of account so far as the Indian mills are concerned. Is it not so?

Mr. Campbell.—That is quite true.

Mr. Mudaliar.—If you care to say what the case is with reference to the position in Colonial possessions in Africa . . .

Mr. Campbell.—That is rather a different matter, because we are all open to Japanese competition. There is no quota in the African market except the West African markets.

Mr. Mudaliar.—Whether there is a quota against Japan or not, the relative competitive quality of the United Kingdom and India is the same. If you can get a 10 per cent. market, India can have the same 10 per cent. market provided your hypothesis is correct, viz., the efficiency of both is the same.

Mr. Campbell.—What you say is perfectly true.

Mr. Mudaliar.—I have taken the trouble of verifying from the figures of exports to Kenya, Uganda, Tanganyika, Zanzibar and other places. I can assure you whatever footing we might have had before the grant of protection to the cotton industry has been lost to us since.

Mr. Campbell.—I accept that argument.

Mr. Mudaliar.—And therefore we cannot possibly rely on this statement. Yesterday I tried to point out to you that in the absence of any information which would enable us to judge whether your costings were correct or not, it would be impossible for the Board, exercising the judicial function, to accept your figures, however right they might be; and my position would be that without impeaching your figures I can only say that I cannot accept them, if you can follow the distinction. Therefore we are driven back to the question of what is the comparable quality of goods or what are the comparable qualities of goods which enter the Indian market and with which you have to compete with Indian goods or the Indian goods have to compete with you. I want this to be perfectly clearly understood by the whole textile industry—whether it is yourself or the Bombay Mill-owners' Association. I at any rate have no desire to drive you into a position which is not correct with reference to comparable goods. If you still say that it is impossible to compare two pieces of textile goods, you are welcome to say so, and if the Bombay Millowners' Association say so, they are welcome to say it, but when equating prices we have to come to this question: what are the two qualities of goods which we can take to equate prices. Now in your own memorandum, you have stated more than once that you have taken representative qualities of Indian goods and analysed them. Leaving aside your analyses and your costings for the time being, let us stick to the question of representative Indian samples. I feel that if you can establish that you have taken representative samples of Indian goods, you would have gone a long way towards the quest of the Holy Grail. How are you going to satisfy the Board that the samples that you have taken are representative samples?

Mr. Campbell.—All the samples that we have provided in our list are shown in a separate list under the special trade marks that they go under and also the mills that manufacture them. They were sent to us by our agents out here as representing some standard lines that were going in the market.

Mr. Mudaliar.—Just a minute. You said just now that they were sent home as representing some standard lines. Am I to assume that in your trade or in the Indian mill trade there are standard lines?

Mr. Campbell.—They are representative of certain classes of goods. There is, for instance, a shirting sent home which is representative of a large number of shirting.

Mr. Mudaliar.—Would you call that a standard line or would you call that a class? What is the distinction between class and standard?

Mr. Campbell.—One rather loosely talks of there being standards. But they are hardly standards in the sense in which you wish to interpret it.

Mr. Mudaliar.—Are you certain how I interpret it?

President.—You talk of representative types; you talk of goods being representative of different kinds, Indian and United Kingdom; you talk about standards; and you talk about classes. I wish you were clear in your own mind when you talk about them because I cannot follow what you say.

Mr. Campbell.—I shall ask Mr. Streat to answer that point.

Mr. Streat.—I think it is a case of loose terminology. In Manchester when we say a standard line, we mean a well-established and recognised line rather than imply that it is any particular standard.

President.—You called Ralli's Class B as a standard line because you were exporting, say, 5 million yards years ago. To-day you are only exporting a dozen yards and yet would you call it a standard line?

Mr. Streat.—Yes.

President.—Is that what you mean?

Mr. Streat.—Yes. Mr. Campbell used that phrase in regard to Indian samples.

Mr. Mudaliar.—How do you understand the phrase with reference to Indian samples?

Mr. Streat.—Well-established lines.

Mr. Mudaliar.—Will you turn to your memorandum? You say "We obtained in India a range of these products taking care that they should be so selected as to be as representative of the whole market as it was possible to make them". Will you kindly explain what sort of care you took to get these results? If you can satisfy us as regards that, it will go a very long way towards helping us to solve the problem.

Mr. Campbell.—The method that we took in Manchester was to inform our agents out here very carefully what we wanted.

Mr. Mudaliar.—What is it that you wanted?

Mr. Campbell.—We asked them to send home representative samples.

Mr. Mudaliar.—You get back to the same word.

Mr. Campbell.—Those were the words used. I should be only too glad if you will ascertain from the mills or from any other source you like as to whether they are considered out here to be representative of the goods that are going in the market. I am absolutely convinced that you would be told in a great majority of cases that these samples would be representative.

Mr. Mudaliar.—If I understand your suggestion correctly, if you and the Millowners' Associations between themselves agree that they are representative samples, we can take it that they are representative.

Mr. Campbell.—Yes.

Mr. Mudaliar.—I have no objection to accept that. Supposing it is not accepted by either the one or the other, can you prove it? Agreement on that point is a very good thing to have, but supposing it is contested, how will you prove that these are representative samples in the market?

Mr. Campbell.—There are certain lists that are published, giving some of the representative qualities that are going in the market. I think you will find that a great number of qualities that are included in the list are also included in some of the lists that are published out here and I presume that these qualities included here are supposed to be representative.

Mr. Mudaliar.—At the present moment, I am ignorant of what list you are referring to unless you tell me more specifically. If you don't want to say it, of course I cannot press the point.

Mr. Campbell.—Would you allow me to consult our agents on that point? I should be very glad to inform you afterwards.

Mr. Mudaliar.—While you are on that point, you may refer to your memorandum. You say "It is readily possible to support by other evidence the contention that our samples are in fact fairly representative of the market conditions as a whole". I wish, while you are about it, you will get us all the evidence that you can? We have no evidence on that point.

Mr. Campbell.—Yes.

Mr. Mudaliar.—The paragraphs that follow do not indicate what the other evidence is—at least not to my understanding. They have nothing to do with the representative character of the samples. That is why I ask you whether you can at a later stage furnish us with all the evidence on the subject of representative samples.

Mr. Campbell.—Yes.

Mr. Mudaliar.—Making that assumption for the time being that the samples that you have produced are representative samples and discarding for the moment, if I might say so, the United Kingdom valuations and estimates of those samples if manufactured in the Lancashire mills, can you tell us what we should do next—how we should proceed in the matter?

Mr. Campbell.—That is a question which rather follows on the question put by the President yesterday and also I think by Mr. Rahimtoola.

President.—Yesterday we were on the point of suitability of your comparative price list for our purpose and we indicated to you that many people were maintaining that it was outside the terms of reference entirely and we asked you to consider if there were any other methods of producing samples and arriving at as far as possible comparable qualities and various classifications and where there were still small structural or physical differences in reeds, picks or counts, whether you could evaluate these differences and get us on to what I would call a common denominator. Have you had time to consider that?

Mr. Campbell.—We were asked yesterday whether there could not be found a new method of establishing price comparisons between comparable and competing goods, as opposed to comparisons between identical goods upon which both the Millowners and ourselves founded our first evidence. As I understand it, the idea is to assemble in regard to each broad class of goods certain samples of representative and standard lines, both United Kingdom and Indian. For each group, an average would be made of all the dimensions and particulars of the United Kingdom and Indian goods separately. The prices would be calculated out per piece, per square yard and per lb., so that eventually you would have an average price for the same unit of surface measurement or weight, and you would have average particulars. Then the average price margins over the whole field could be worked out.

We are prepared to accept this method as a means of making a helpful contribution to the difficulties of the Board, although it is not free from difficulties. We should, however, like to make some observations as to how the resultant evidence ought, in our opinion, to be taken into account.

Great importance will attach to the selection of the right samples, but this we are prepared to leave in the impartial hands of the Board's Technical Experts, in the light of all the samples they have received from different parties.

As to the Indian prices which should be averaged, we consider that the realised prices of the mills should be the basis, as this alone will show what the position in the trade has been in the recent past, or in other words reveal the "existing conditions" as mentioned in the terms of reference. We assume the Board would exercise its own discretion as to the weight to be put upon differences between realised prices and fair selling prices, and this could be done in the final stages. The Lancashire prices should be based on importer's sale prices, and, subject to corrections from the other interests might, we think, be accepted.

We realise this method involves working first of all by categories, and our concurrence in these calculations being brought into consideration in the enquiry is without prejudice to our submission that the eventual solution is best to be found in a uniform rate of duty.

Finally, whilst admitting the usefulness of these calculations to the members of the Board in their efforts to assess the true position, we do not wish our agreement to be taken as indicating that we accept the idea that the final answer to the question referred to the Board should be founded simply and solely on these calculations. We contend that the evidence of trade statistics is material proof of the existing conditions in the trade, and that the new calculations should be read in association with the picture provided by the trade statistics.

As to reciprocal trade and other general contentions in our favour, we recognise these are matters for the Government of India when considering the Tariff Board's Report.

President.—May I say one thing? In the statement which you have just made, I think you are attaching too much importance to the question of prices. The question of prices will come up later on. But we want comparability of goods as far as you could agree on that point. The price will be a subsequent matter. It is really the comparability of goods that is important: comparability of manufactures ignoring for the moment prices. Secondly, you suggest that the choosing of samples should be left to our Technical Adviser. That was not what I had in view yesterday. What I had in view yesterday was this. You have submitted samples. The Mill-owners' Association in Bombay and the Millowners' Association in Ahmedabad have submitted samples. The Chambers of Commerce in Bombay, Bengal, Madras and Karachi have also submitted samples. In fact, we have got dozens of samples—I probably could say hundreds of samples covering a very, very wide range. The suggestion I had in view yesterday was that you practical gentlemen, representing a manufacturer, a spinner, a merchant and others, whose business it would be to take orders should go through these samples—Indian samples on the one hand and the United Kingdom samples on the other—and as far as possible co-relate them with a view to arriving at, I do not say, individual classifications but a general method of classification. Do not be afraid of the price question because that is a subsequent matter: don't be afraid of the duty question: that is also a subsequent matter. What we want to get at is comparability of goods as far as it is possible to do so and then arrive at slight technical or structural differences which, as I say, may be matters of difference in weight or width or reed and pick or whatever it may be. Make a suggestion as to how to adjust the differences that appear to exist between, let us say, samples on the one side and samples on the other. We propose to say the same thing to our friends from Bombay, Ahmedabad and Madras. It is not really a matter in which we can ask our Technical Adviser to have a dozen samples and say which are comparable or are not comparable. What I want you to do is to tell us which are comparable and our friends here to say which are in their opinion comparable. I can't conceive for a minute that practical men like you on the one hand and practical men on the other side cannot say that there are comparable qualities between Lancashire and Indian goods in these particular classes.

Mr. Campbell.—In principle I agree that something can be done on those lines. Our great fear is whether we shall ever be able to agree as to what is comparable. That was really the reason why I should have preferred to have left it in the hands of some impartial judges.

President.—There is nobody impartial in India, if I may say so with all due respect. Naturally, the men who have come out from Lancashire are looking at it from their point of view and men in India are looking at it from their own point of view. Speaking generally, Lancashire have one point of view, our millowners have another point of view represented as they are by practical men from Bombay, Calcutta and Southern India also. When you get to the point where you do not agree then our Technical Adviser or such other experts as we can get will step in and adjust whatever differences there are. I do not know if it is a practical proposition but I am asking if there is a possibility of so doing.

Mr. Campbell.—We will put in our views as to what we think are comparable amongst whatever samples are available. The best way I would suggest is that we should go through the samples and pick out those which are comparable, which should be included in the list.

Mr. Rahimtola.—You have given a certain amount of comparison already in your additional statement that you have presented to us. Those you think are fairly comparable?

Mr. Campbell.—Yes.

President.—We want more. While you are here we want to take full advantage of your expert knowledge and therefore I want you to go through all the samples and tell us by means of a wider range of samples which are comparable.

Mr. Campbell.—We shall certainly help the Board so far as we can.

Mr. Mudaliar.—Having got so far, I mean hypothetically at the present moment, I turn now to your representation. You say "we base our representation on averages and an adequately large collection of representative cases". What do you mean by averages? How do you work out these averages?

Mr. Campbell.—If you take that list of ours, we have taken all the pluses and minuses and averaged out the prices.

Mr. Mudaliar.—With reference to that I do not know how exactly you have taken those goods but just for a moment accept the basis that I suggest. It may be that with reference to B101 for instance—I am not really referring to that—the production in Indian mills may be only about, say, 100,000 yds.; with reference to B110 the production may be 20 million yards: with reference to B150 the production may be 6 million yards. You have equated the prices of B101, B110 and B150. If my first preliminary assumption as regards the quantum of goods of each of these classes produced by Indian mills is correct, would you consider it fair to equate the individual samples or would you take the weighted average and equate according to the quantum of production?

Mr. Campbell.—If you are referring to the list which we hope to provide you with of comparable goods, it would be our intention that they should be only goods which were coming in large quantities.

Mr. Mudaliar.—Both with reference to imported and with reference to United Kingdom goods?

Mr. Campbell.—Both.

Mr. Mudaliar.—So that to a certain extent the representative nature of the goods will depend upon the quantity of the goods consumed in the Indian market?

Mr. Campbell.—Unquestionably

Mr. Rahimtoola.—Mr. Campbell, I should like through you to clear any misunderstanding that might be prevailing in the minds of those who appear before us. There is not the slightest intention on the part of the Board to question the bonafides of the witnesses. The whole object of the oral examination is to test the representations submitted and to get the facts and figures substantiated. When I was cross-examining you at length with regard to the figures that you have submitted, my object was to find out how far these figures tallied with those contained in your statements. I understand that you lay great emphasis on the first statement which had been prepared in England with regard to the costing of Indian goods by Lancashire and I want to know whether you still hold the same opinion. If so, I would like again to go through the figures and ask you certain questions for the purpose of clarification. I am referring to Table II. I pointed out to you yesterday the difficulty of comparison when you have taken out 13 costings of every Indian sample at Lancashire whereas on the Indian side you have taken mere quotations wherever available.

Mr. Campbell.—They all vary as shown in the list.

Mr. Rahimtoola.—Let me deal with the class called plain grey. If you will see, from C102 to C105 they have all been costed 13 times whereas if you see the Indian samples, the prices obtained by you have been sometimes 1, sometimes 3, sometimes 9 and sometimes 10, and you have taken their averages and made a comparison with your average prices. So that you have not given us any real prices of either of the qualities. What I am thinking of is this: take the first sample B101; you have given the actual price of the Indian sample on 14th October, 1935.

Mr. Campbell.—That is right.

Mr. Rahimtoola.—And you have given us what it would cost in Lancashire to make the same quality on 21st October, 1935.

Mr. Clegg.—Yes.

Mr. Rahimtoola.—You have taken a particular date. I would like to know whether the question of the price of cotton was taken into consideration in arriving at that price?

Mr. Clegg.—I don't think there was very much difference in the price of cotton on the 14th and on the 21st October.

Mr. Rahimtoola.—What is the kind of cotton you took?

Mr. Clegg.—That was not asked.

Mr. Rahimtoola.—Then how are we to ascertain the exactness of the Lancashire figures? We must have some data available for us to test the costs of Lancashire. I would like to know at least the variations in the prices, because you told us yesterday that it was mainly due to the price of cotton that the average was taken in order to accommodate the fluctuations that might have taken place. You are not prepared to give us the quality of cotton that you took into account in calculating your costs. These goods have not been manufactured in Lancashire at all and it is doubtful whether you propose to make them in future.

Mr. Campbell.—I think that is rather a wild statement; I don't think anyone can categorically say that these piecegoods have not been made in Lancashire because Lancashire has been producing cotton goods for the Indian market for a great many years.

Mr. Rahimtoola.—My point is that the costings of the clothes you have given us have never been made by you.

Mr. Campbell.—They are of the same type.

Mr. Rahimtoola.—Are you manufacturing the types whose costings have been given to us?

Mr. Campbell.—They have been costed by manufacturers who have in the past been accustomed to do this trade.

Mr. Rahimtoola.—The point on which I lay stress is that we have been asked to equate the price of the imported goods and I should like to know whether these prices are the prices of goods actually imported into India.

Mr. Campbell.—If these goods had been shipped they would have been exactly of the Indian quality; if they had not been exact, buyers in India would have been able to cancel the contract.

Mr. Rahimtoola.—How are we to test these costs unless we are able to get in the actual market the import price of these qualities?

President.—Our terms of reference are to equate prices of imported goods. You have given us not the prices of imported goods but prices of Indian goods for which you have got quotations in Lancashire.

Mr. Campbell.—I can't understand what Mr. Rahimtoola expects me to say: if you tell me exactly what you want me to say . . .

Mr. Rahimtoola.—You are laying emphasis on the question of prices of goods that have not been made and to that extent even this part of your statement is not strictly relevant to the inquiry. What we want is the c.i.f. prices of all those qualities of Lancashire goods which are actually coming into India and which are competing directly or indirectly with Indian goods. Can you supply us prices from May, 1934? That is the sort of information that would be most valuable.

Mr. Campbell.—If you are prepared to pay the freight from England for the mass of samples that will have to be brought here . . .

Mr. Rahimtoola.—You have again missed my point. I am only asking you for the prices of the imported goods. There is no necessity to get the samples of goods from Home because the prices must be of goods, which are

actually in the Indian market and are competing with Indian goods. I want also the c.i.f. prices of goods that have actually entered into the Indian market but cannot be sold in any large quantities or cannot be sold at all.

Mr. Campbell.—We can certainly give you something of that nature.

Mr. Rahimtoola.—That will help the Board to judge what are the prices prevailing of Lancashire goods since protection was granted.

Mr. Campbell.—You want a number of c.i.f. prices of qualities that are now going in the market in small quantities or are off the market since 1934?

Mr. Rahimtoola.—Yes of all goods whether they are plain grey or bleached or other goods.

Mr. Campbell.—When you say all, you mean representative.

Mr. Rahimtoola.—I would like to have as many as you can give. You leave the selection to me. Your comparison may not be exact to the comparison given by the Millowners' Association. In that case we will be able to check the prices given by you apart from the comparative qualities.

President.—I would like the same figures from 1931 when the duties were put into effect.

Mr. Campbell.—We will do what we can for you in that direction.

Mr. Rahimtoola.—I don't think there will be any difficulty in obtaining prices with regard to the business which is actually being done.

Mr. Campbell.—It is more for the importers than for us.

Mr. Rahimtoola.—You get into touch with the manufacturers who are sending goods. At any rate you will make the best effort in this direction.

Mr. Campbell.—Yes.

Mr. Rahimtoola.—I would just ask you to refer you for the moment to the supplementary evidence which you have submitted in reply to the criticism of the Bombay Millowners' Association. You have given there costings of 5 different qualities. I would like to take Example No. 1. Do you think that the Indian quality is comparable to the United Kingdom quality? It is grey dhoti, and the trade number is 2535 for Indian and 84 for United Kingdom. The quotation that you received for Indian is given in your printed costing as 29.5 annas on the 30th August, 1935. Is that correct?

Mr. Clegg.—Yes.

Mr. Rahimtoola.—But if you look at the printed statement of comparative prices, I find that for B231 you have given the average of 9 quotations.

Mr. Clegg.—That is correct.

Mr. Rahimtoola.—That is not the actual price. The price of 29.5 annas given by you is the average of 9 quotations of that very sample that you received and costed in Lancashire.

Mr. Clegg.—Yes.

Mr. Rahimtoola.—And you compare it with the wholesale market price in India of United Kingdom goods at the end of August.

Mr. Campbell.—It is not the wholesale market price, but the mills' quotation.

Mr. Rahimtoola.—34 annas is not the mill quotation. That is the average of the 9 quotations.

Mr. Campbell.—Yes. I am talking of the actual basis of the Indian mill prices on this list and the Indian Mills' selling quotations are not wholesale prices.

Mr. Rahimtoola.—I am now talking of the wholesale prices of Lancashire goods compared with the average price of the Indian quality.

Mr. Clegg.—The answer to that question is that the Indian mill quality has not fluctuated much in price. The average price happens to be the same

as the price that was got on the 30th August. The price was the same on the 15th September and also the same on the 1st October.

Mr. Rahimtoola.—29·5 annas.

Mr. Clegg.—Yes.

Mr. Rahimtoola.—Though it is an average, it accidentally happens to be also the actual price on that day.

Mr. Clegg.—It is an average. On that particular date the price happens to coincide with the average.

Mr. Rahimtoola.—You have given the price of 34 annas as the wholesale market price of United Kingdom quality at the end of August.

Mr. Clegg.—That is correct. There was a remark about it below.

Mr. Rahimtoola.—I have seen that remark. I am asking you about the price. At the end of August the price was 38 annas. May I take it that the actual sale price of that class of goods in India to-day is 38 annas.

Mr. Clegg.—I could not say that. We simply had a statement from Grahams that the price at the end of August was 38 annas.

Mr. Rahimtoola.—What reliance will you place on that price? Is it a mere quotation from Lancashire or has business been done at that price?

Mr. Clegg.—They say they have made no sales. That was the price which they would demand.

Mr. Rahimtoola.—Would you accept the wholesale market price of 38 annas at the present moment?

Mr. Campbell.—We have to ascertain from Grahams what is the market price to-day.

Mr. Rahimtoola.—You say that the price required at the end of August is the price that Grahams obtained at which business must have been done. Grahams cannot give you a statement off-hand when they make a statement of this character. It is safe to assume that Lancashire people would be at' to transact business at this price.

Mr. Clegg.—When?

Mr. Rahimtoola.—At the end of August. 38 annas is given as the price at the end of August.

Mr. Clegg.—Yes, that is the figure which the importer said would require for actual business.

Mr. Rahimtoola.—Would you not make some allowance with regard to the manufacturing cost, because you will see here the width and length 50·2"/8 yards and 44"/10 yards, respectively?

Mr. Clegg.—We made a difference for that.

Mr. Rahimtoola.—You have made it with regard to the border for which you have allowed 8 pies. That will make the price 30·1.

Mr. Clegg.—That will be right.

Mr. Rahimtoola.—You think that these two are comparable qualities.

Mr. Clegg.—We compared the two together.

Mr. Rahimtoola.—The price of 38 annas is without duty?

Mr. Clegg.—Yes.

Mr. Rahimtoola.—If you put a duty of 25 per cent. on 29·5 annas, you will find that this comparable quality requires more than 25 per cent. duty.

Mr. Clegg.—We didn't work that out.

Mr. Rahimtoola.—If you work it out you will find that it will require more than 25 per cent.

Mr. Campbell.—If it works out like that, it is one of the lucky ones.

Mr. Rahimtoola.—I am now dealing with the third representation which you have submitted in regard to the question of reduction of duties.

Mr. Campbell.—I was wrong in saying it was c.i.f.c.i. It is *ex-godown* including duty.

Mr. Rahimtoola.—Will you kindly make it quite clear and let me know when we meet again?

Mr. Campbell.—We have got a letter to that effect here.

Mr. Rahimtoola.—That 38 annas is *ex-godown* price.

Mr. Campbell.—Yes.

Mr. Rahimtoola.—That means 25 per cent. duty is included in it.

Mr. Campbell.—Yes.

Mr. Rahimtoola.—I should like to have it confirmed.

Mr. Campbell.—Certainly.

Mr. Rahimtoola.—Do you think that the finish of the two cloths is practically the same?

Mr. Campbell.—The finish is not the same. I think perhaps I ought to explain that these samples were selected at the request of the Board to get as near as we could. In every single instance there is some variation somewhere either in finish or in yarn.

Mr. Rahimtoola.—The finish is not the same.

Mr. Campbell.—It is not.

Mr. Rahimtoola.—You have got a representative, I find, on this delegation who would be able to explain the difference in the finish of the two cloths.

Mr. Campbell.—He is a very great expert, but that is not his particular section, so that he will not be able to undertake that task.

Mr. Rahimtoola.—I understand that United Kingdom Delegation is fully representative of all interests and that is why I was tempted to ask. I don't want the exact thing, but only approximately. The expert, I think, will be able to say something as to what is the difference that should be calculated in price to make the finish equal.

Mr. Hopkinson.—What do you mean by finish? Do you mean that they have been through a process after weaving?

Mr. Rahimtoola.—When a consumer looks at the cloth, the consumer says that this has a better finish than the other. He therefore pays more.

Mr. Hopkinson.—Are you suggesting that these goods are finished?

Mr. Rahimtoola.—I say that in appearance they don't look alike. Would you not put a price margin for this difference.

President.—I think it would save a good deal of time if you would compare these samples and let us have the facts later on. This is an instance of our difficulty in making comparisons and I suggest that when you have got comparable samples, perhaps all these points might be gone into.

Mr. Hopkinson.—These are grey goods.

Mr. Rahimtoola.—Nobody disputes that. There is no question about their being grey goods.

Mr. Street.—That is another misfortune of our language. The Lancashire man would jump to the conclusion that you meant the addition of a special finish.

Mr. Rahimtoola.—Is it not a fact that the manufacturer sends the goods to the finisher and he adds a price to it?

Mr. Street.—There is no question of such finish in these grey goods.

Mr. Rahimtoola.—Finish comes after the grey state of the cloth. I am now seeking information from you which might be useful to the Board. I will take the next one. The number is B232. It is again grey dhoti—example number 2. The price given here is 12 annas which I find is the average of 10 quotations.

Mr. Clegg.—That is correct.

Mr. Rahimtoola.—Is that the price on the 31st August, 1935?

Mr. Clegg.—Yes. Would you like me to read to you the prices from the earliest period?

Mr. Rahimtoola.—I only want to compare the prices of these 5 samples.

Mr. Campbell.—We are anxious to satisfy your mind about prices.

Mr. Rahimtoola.—I am most grateful to you for that. I am not distrusting you. But all that I want to know is that in the one case you have given me an average and in another case you have given me the actual price on a particular date, and I find that both of them tally though they are both different. I want to know how it happens to be identical in most of the cases. In this case, you will find that the average of ten quotations is 12 annas and the actual price on 31st August 1935 is also 12 annas.

Mr. Clegg.—It so happens that for that particular class the price is the same throughout.

Mr. Rahimtoola.—Is it due to the fact that that particular quality has gone out of the market?

Mr. Campbell.—We would have to ask our agents on that point.

Mr. Rahimtoola.—Your agents are dealing in Lancashire goods. How did they manage to get the prices of Indian goods? Did they get them from the mills or from the selling agents? I want to know how they were able to obtain these prices.

Mr. Campbell.—I could only give you the information confidentially.

Mr. Rahimtoola.—I would like to have it because I would like to judge the correctness of the prices.

Mr. Campbell.—I will ask our agents whether they have any objection to our giving you the information.

Mr. Rahimtoola.—This price of 12 annas is an average and at the same time no average.

Mr. Clegg.—It is an average and no average at the same time.

Mr. Rahimtoola.—I want to know whether you could not give us a price of comparable quality of United Kingdom piece. You say that the Mill-owners' Association have not been able to give a price, perhaps the Mill-owners have not compared them.

Mr. Campbell.—Do you want to know the price?

Mr. Rahimtoola.—Yes.

Mr. Campbell.—We will try and get that for you later.

Mr. Rahimtoola.—Now we come to the third sample. Average is 27·9 annas and the actual price is 28 annas on the 31st of August.

Mr. Clegg.—That is correct.

Mr. Rahimtoola.—And the average is taken of 11 quotations for one sample from April to September.

Mr. Clegg.—That is correct.

Mr. Rahimtoola.—Have you been able to check this price of 76 annas for the United Kingdom quality?

Mr. Campbell.—We have not been able to check it.

Mr. Rahimtoola.—Will you be able to check it? This is one of the comparable qualities given by you and I would like to know whether it has been checked by you. The prices given by the Millowners' Association are prices obtained from the Collectors of Customs and they are supposed to be the wholesale market prices. This is what they have specified—end of August, United Kingdom prices. The Millowners have given the source from which they have been able to obtain and I want to know whether this is the correct price that can be taken.

Mr. Campbell.—Quite.

Mr. Rahimtoola.—Coming to sample C304—example number 4, there have been only two quotations.

Mr. Clegg.—That is correct.

Mr. Rahimtoola.—What is the price of that quality on 13th June?

Mr. Campbell.—Rs. 1-14-0.

Mr. Rahimtoola.—That comes to 30 annas.

Mr. Clegg.—Yes.

Mr. Rahimtoola.—And 28½ annas is the actual price on 30th August 1935?

Mr. Clegg.—Yes.

Mr. Rahimtoola.—What about the Lancashire price? It is given here as 69 annas. Have you been able to check that price?

Mr. Campbell.—We have not been able to check that. Both these qualities have come from Madras and we have not been able to check them out here.

Mr. Rahimtoola.—Will you be able to do so?

Mr. Campbell.—I am hoping to do so. Either we shall or the importers will. We should be able to give you that information.

Mr. Rahimtoola.—As you have compared the qualities, I would like to have their exact prices.

Mr. Campbell.—Yes.

President.—Meantime, you are taking the Millowners' prices as correct?

Mr. Campbell.—Yes.

Mr. Rahimtoola.—Now take sample 5. Here is only one quotation. So, there is very little difficulty. You have given 90 annas for the Indian quality and 195 for the United Kingdom quality according to the Millowners' list No. 32?

Mr. Clegg.—That is correct.

Mr. Rahimtoola.—Have you been able to check that figure?

Mr. Campbell.—That price is correct.

Mr. Rahimtoola.—195 annas is correct. I would like to understand your remarks when you say: "for the same length 52 yds. the *pro rata* Indian price would be 156 annas". What have you taken into account in arriving at this figure?

Mr. Clegg.—That is simply an adjustment.

Mr. Rahimtoola.—Comparing 33 yds. to 52 yds: there is no other difference in reed and pick of the yarns used?

Mr. Clegg.—We did not attempt to equate the prices of these qualities.

Mr. Rahimtoola.—These are not comparable qualities. You think in order to compare these the price ought to be 156 annas?

Mr. Clegg.—It is a comparable quality but the length being so different between the two in the dimensions given we gave what the price should be if it was 52 yards in length. We have not attempted to take other things into consideration, because we had no means of checking the counts.

Mr. Rahimtoola.—You have given us the samples.

Mr. Clegg.—But we have no testing house at the hotel where we can test the counts of yarn.

Mr. Rahimtoola.—You think that with this count of yarn there would be some difference in price?

Mr. Clegg.—There might be; we have not made an estimate of that.

Mr. Rahimtoola.—The Indian price would be higher if you take that into consideration?

Mr. Clegg.—I would not say that without going into it more carefully.

Mr. Rahimtoola.—I am only asking your opinion. If you are not able to give us information we will have to rely on our Technical Adviser.

Mr. Clegg.—There are four things which vary, reed and pick and warp and weft.

Mr. Rahimtoola.—In reed and pick there will be very little difference so far as the price is concerned?

Mr. Clegg.—Yes. The counts of yarn are different.

Mr. Rahimtoola.—There will be some addition to the price of 156 annas.

Mr. Clegg.—I would not say that without looking into it more closely whether you can make it higher or lower because the Indian warp is higher than United Kingdom and the weft is coarser. It would have to be worked out.

Mr. Rahimtoola.—Let us take the next sample, No. 5. This is a new sample altogether—"White shirting". It has not been costed in Lancashire?

Mr. Clegg.—No. The Indian sample is B300 in the United Kingdom schedule.

Mr. Rahimtoola.—Is that again the average?

Mr. Clegg.—The price given there was obtained separately.

Mr. Rahimtoola.—I said it was a new sample because the price seems to me to be for December: I find that B300 is the quality also given in your printed statement and the price given is 133·8 annas which is about Rs. 8-6-0.

Mr. Clegg.—Quite right.

Mr. Rahimtoola.—This was the average of three prices?

Mr. Clegg.—Yes.

Mr. Rahimtoola.—What was the price on 14th October?

Mr. Campbell.—Rs. 8-0-0.

Mr. Rahimtoola.—And the average worked out at Rs. 8-4-0 and the mill quotation to-day is Rs. 8-6-0?

Mr. Campbell.—Yes.

Mr. Rahimtoola.—Is this quality at present in the Indian market?

Mr. Clegg.—No it is not. The last business was transacted in June 1934.

Mr. Rahimtoola.—Since then no orders have been booked for this?

Mr. Clegg.—That is so.

Mr. Rahimtoola.—How were you able to obtain the price?

Mr. Clegg.—Because they were offered prices.

Mr. Rahimtoola.—The Number has ceased to exist; that means that no sales have been done for the last year and a half?

Mr. Clegg.—Yes, it has been off the market for the last year.

Mr. Rahimtoola.—Will you be able to give us the price ruling on that date?

Mr. Campbell.—The last sale took place in June 1934, and the price was Rs. 8-7-1 c.i.f.c.i.

Mr. Rahimtoola.—Was this sample obtained recently or was it lying in England for a year and a half? Is this quality being sold anywhere outside India? The number is 5650.

Mr. Campbell.—No sales outside India. It is a Bombay quality.

Mr. Rahimtoola.—And therefore it is not being manufactured at all?

Mr. Campbell.—To the best of my belief no.

Mr. Rahimtoola.—You say no samples in the Bombay market.

Mr. Campbell.—That is so; there are no sales in India.

Mr. Rahimtoola.—It is actually a quotation?

Mr. Campbell.—Yes.

Mr. Rahimtoola.—You have sent in another batch of samples. Take number I. I suppose all these samples have not been costed?

Mr. Campbell.—No.

Mr. Rahimtoola.—These are entirely separate?

Mr. Campbell.—Yes.

Mr. Rahimtoola.—How have you been able to obtain prices of these?

Mr. Campbell.—We got these about the third or fourth day of our arrival here.

Mr. Rahimtoola.—These are mill quotations?

Mr. Campbell.—The first one is an actual sale; it was bought by somebody in the bazar.

Mr. Rahimtoola.—The quality is in the market and is available at this price?

Mr. Campbell.—Yes.

Mr. Rahimtoola.—What about Lancashire price?

Mr. Campbell.—That is quotation on the c.i.f.c.i. basis.

Mr. Rahimtoola.—It is not at present being sold in the market?

Mr. Hopkinson.—It is in the market to-day. That is the information given by the Calico Printers' Association. That was a quotation price in Bombay on the 29th November 1935 which was a c.i.f. price after adding c.i. to it.

Mr. Rahimtoola.—How much will that be?

Mr. Hopkinson.—About 5 per cent.

Mr. Rahimtoola.—This is not a nominal quotation?

Mr. Hopkinson.—No.

Mr. Rahimtoola.—Business in this line is being transacted though in small quantities?

Mr. Hopkinson.—There is difficulty in doing business to-day.

Mr. Rahimtoola.—Even in small lots is it difficult to sell?

Mr. Hopkinson.—There have been sales during the year. There is difficulty in doing business.

Mr. Rahimtoola.—But not lately. When you obtained this price quotation, it was obtained merely as a quotation but not actual sale price? At the time the quotation was obtained it was not in the market?

Mr. Hopkinson.—Small quantities are being sold in the market at this price.

Mr. Rahimtoola.—Take another one. What about the Indian quality example No. 2, I mean SM8(2)?

Mr. Hopkinson.—That is a mill selling quotation.

Mr. Rahimtoola.—How did you obtain it when you say the mark is unknown?

Mr. Hopkinson.—You asked us to work on the basis of comparability on as many samples as possible. We therefore with the very limited resources at our disposal sought to obtain that information; much of this information we obtained from the Calico Printers' Association's office where we have been able to make use of the market information which is brought in by their market representatives.

Mr. Rahimtoola.—These goods were there at that time?

Mr. Hopkinson.—If you are taking the United Kingdom prices, these are based on prices at which they were sold at the time.

Mr. Rahimtoola.—They are selling Indian goods.

Mr. Hopkinson.—No, United Kingdom goods.

Mr. Rahimtoola.—I am talking of the Indian goods which you said are unknown.

Mr. Hopkinson.—All I can say there is that is given as a recent price of a typical Indian printed shirting. I can get further information if you want.

Mr. Rahimtoola.—Yes, if you please.

Mr. Hopkinson.—Would you kindly tell me what you want me? Do you want the name of the supplier?

Mr. Rahimtoola.—I want to know whether the price is correct. I can also ascertain if you give me the name and the number of the mill. If you give me simply the number, it may lead to a little difficulty. If you can give me the name of the mill and the number, as you have done with others, it would be helpful. May I take it that the quotations (i.e., c.i.f. prices that you have given) are for actually imported goods into India? I will go through one by one. No. 2 is in the market?

Mr. Hopkinson.—Yes.

Mr. Rahimtoola.—The c.i.f. price of that is 3 annas 9 pies per yard.

Mr. Hopkinson.—C.i.f.c.i.

Mr. Rahimtoola.—C.i., means 5 per cent. addition to the c.i.f. price?

Mr. Hopkinson.—Yes.

Mr. Rahimtoola.—Take No. 3. I will just run through quickly. Here you have given the quotation with regard to Indian style as *ex-mill*. This is not a mere quotation, but actual sale price.

Mr. Campbell.—Yes.

Mr. Rahimtoola.—That means you have been able to buy this quality at that price *ex-mill*.

Mr. Campbell.—I have a contract for that sale.

Mr. Rahimtoola.—At that price?

Mr. Campbell.—Yes.

Mr. Rahimtoola.—On that date?

Mr. Campbell.—Yes.

Mr. Rahimtoola.—And the imported quality is also in the market?

Mr. Campbell.—No. That quality is off the market for the time being. The United Kingdom quality has not been able to compete with this Indian quality and therefore it is no longer in the market.

Mr. Rahimtoola.—Since how long is this the case?

Mr. Campbell.—I can let you know. I think the last sale was about April this year.

Mr. Rahimtoola.—I will take the next one sample No. 4. It is Khatau Makanji.

Mr. Campbell.—Yes.

Mr. Rahimtoola.—The mill-quotation is simply a nominal quotation?

Mr. Campbell.—Yes.

Mr. Rahimtoola.—You say at the bottom of the statement, Sample No. 4: "The Indian cloth is of inferior and cheaper construction, and is displacing the superior United Kingdom article. No Lancashire quotation for style identical with the Indian is available as, apart from price, dealers are unwilling to consider Lancashire products of such a low character". In spite of what you have said in the explanatory remarks you have been able to obtain the c.i.f. price.

Mr. Campbell.—We have given you the last sale price of the United Kingdom quality. The last sale took place on the 30th July. We have not been able to do any business since and to-day's quotation on a c.i.f.c.i., basis is also given.

Mr. Rahimtoola.—There is 1 anna 1 pie difference. How do you account for it?

Mr. Campbell.—There has been a sharp advance in the Lancashire price during October-November.

Mr. Rahimtoola.—What is that due to? Sale is not taking place here and the price is going up.

Mr. Campbell.—The cotton market went up for one thing and the other thing was there was increased enquiry at Home which forced prices up.

Mr. Rahimtoola.—You mean cotton prices went up in July and November.

Mr. Campbell.—Not so much in July. The prices were more or less stationary.

Mr. Rahimtoola.—It is due to the healthier tone of the market in England.

Mr. Campbell.—And also half-penny rise in cotton.

Mr. Rahimtoola.—Take the next sample. What is this addition of 5 per cent. for vat colour? What exactly is meant by that.

Mr. Campbell.—It is a faster colour and for the faster colour there is the additional charge of half-penny per yard.

Mr. Rahimtoola.—So that the English quality has a faster colour.

Mr. Campbell.—The Indian quality is printed in vat colours.

Mr. Rahimtoola.—The Indian quality is in vat colour and if the United Kingdom had to give that colour, it would cost half-penny more.

Mr. Rahimtoola.—This is again a nominal quotation of the mill taken on the same date as the c.i.f. price.

Mr. Campbell.—Yes.

Mr. Rahimtoola.—This is one of your regular qualities. Regular sales are taking place of this quality. Is that correct?

Mr. Hopkinson.—The sales may have been reduced.

Mr. Rahimtoola.—The quantity might have been reduced.

Mr. Hopkinson.—Yes.

Mr. Rahimtoola.—Sales are taking place regularly.

Mr. Hopkinson.—It is being sold.

Mr. Rahimtoola.—Though in small quantities.

Mr. Hopkinson.—I must not commit myself to quantities. I can make that enquiry as to volume.

Mr. Rahimtoola.—I want to get the prices of one or two lines which are coming regularly in the market.

Mr. Campbell.—Yes.

Mr. Rahimtoola.—Take the next one. I suppose this has the same relation with the other one, though I find that there is no difference owing to the rise in price of cotton.

Mr. Campbell.—That is quite true. The first one is the sale price and the other is a quotation.

Mr. Rahimtoola.—It is identically the same as No. 4.

Mr. Campbell.—That only reveals what a complex trade textile is.

Mr. Rahimtoola.—It may also reveal that some trade is brisk and some trade is slow.

Mr. Campbell.—Yes.

Mr. Rahimtoola.—Has this quality for which you have given the nominal quotation stopped selling?

Mr. Campbell.—Yes since July, 1935.

Mr. Rahimtoola.—Take No. 7. There you will find the difference a little more than 3 annas.

Mr. Campbell.—Yes.

Mr. Rahimtoola.—Is that also due to the fact that there are no sales?

Mr. Campbell.—No sales since April, 1934.

Mr. Rahimtoola.—This is only a costing quotation and it has ceased to exist since 1934.

Mr. Campbell.—Yes.

Mr. Rahimtoola.—This is one of the nominal quotations.

Mr. Campbell.—Why you call it nominal quotation?

Mr. Rahimtoola.—Because you ask them to tell off-hand what it would cost them to make this quality to-day.

Mr. Campbell.—Yes.

Mr. Rahimtoola.—Take No. 8. You have given me two Indian qualities with varying difference of 2 annas in price.

Mr. Campbell.—Yes.

Mr. Rahimtoola.—Here I find the United Kingdom quality has stopped since August 1927.

Mr. Campbell.—Yes.

Mr. Rahimtoola.—That means practically it is out of the market.

Mr. Campbell.—Absolutely. That is what either you or the President wanted—to give you samples that have been driven out of the market.

Mr. Rahimtoola.—There may be instances also in which if the particular Lancashire quality has gone out, another quality of Lancashire may have taken that place. It is not necessarily an Indian quality that takes place. The taste of the consumer may change or the market may require another quality for competitive purposes.

Mr. Campbell.—If you like, I can explain.

Mr. Rahimtoola.—Yes, please do.

Mr. Campbell.—The trade in nainsooks was a very big one. When the Japanese competition became acute, they began to take the United Kingdom trade. A few years ago the Indian mills entered the market and now they are competing with the Japanese for the demand for white nainsooks. The only trade that is being done in white nainsooks is being done in Calcutta where also it is done on a very reduced scale.

Mr. Rahimtoola.—This quality went out before the duty came into force.

Mr. Campbell.—This quality was driven by the Japanese quality.

Mr. Rahimtoola.—It has never come back since.

Mr. Campbell.—That is so. This quality which was driven out of the market by the Japanese competition is now kept out of the market by the Indian quality.

Mr. Rahimtoola.—What about the quality, white bleached and nainsooks? Are they practically the same?

Mr. Campbell.—They are the same.

Mr. Rahimtoola.—I find there are several English qualities which have been given by the Indian Millowners' Association with their different prices. There is a quality bleached nainsooks 136 Trade Number. The price for that quality is 27 annas and yours comes to 40 annas or Rs. 2-8-0. So it is quite possible that one of your qualities may have taken the place of another of your quality.

Mr. Campbell.—I should say it is highly improbable. As far as the United Kingdom is concerned, the nainsooks trade has practically ceased to exist except to a small extent in the Calcutta market.

Mr. Rahimtoola.—Are these quotations? As these are supplied by the Collectors of Customs it is possible that these qualities may be coming to India.

Mr. Campbell.—That may be a quality which is coming in small quantities.

Mr. Rahimtoola.—I would like to have that comparison rather than this sort of comparison.

Mr. Campbell.—I believe that it is a Calcutta quality. I don't think No. 136 is a Bombay quality. This example which I have given here is a Bombay quality.

Mr. Rahimtoola.—The Indian sample is a Bombay quality.

Mr. Campbell.—Yes.

Mr. Rahimtoola.—Have you taken the price of Calcutta?

Mr. Campbell.—I am talking about white nainsooks from the United Kingdom. It is a Bombay quality. When I say Bombay quality, it is a quality that is sold in the Bombay market.

Mr. Rahimtoola.—I am only drawing your attention to this that there are certain other qualities under this nainsook style which are at present being sold in Bombay from Lancashire.

Mr. Campbell.—Only on a very reduced scale.

Mr. Rahimtoola.—Could you give me an Indian style compared to white nainsooks which is coming in instead of giving me a quotation of 1927?

Mr. Campbell.—I have given you two examples of the Indian qualities that are now taking place.

Mr. Rahimtoola.—But you have compared it to the quality which does not exist at present.

Mr. Campbell.—I have great difficulty in finding any United Kingdom white nainsooks in this market.

Mr. Rahimtoola.—As compared with the two qualities.

Mr. Campbell.—Not as compared with.

Mr. Rahimtoola.—I should like you to think it over.

Mr. Campbell.—Yes.

Mr. Rahimtoola.—Take 9 white mulls. You have given me 4 different prices of United Kingdom of the same date.

Mr. Campbell.—Yes.

Mr. Rahimtoola.—Is this a c.i.f. quotation.

Mr. Campbell.—It is a c.i.f.c.i. quotation.

Mr. Rahimtoola.—Are they in the market at present?

Mr. Campbell.—I must look that up. I rather think they are all off the market. All I can say is that these qualities used to go in very big quantities—about 600 to 1,000 bales through one shipper if I remember aright and now I think it is off the market.

Mr. Rahimtoola.—What about the sale of the Indian quality? Is there a sale contract with you?

Mr. Campbell.—Yes.

Mr. Rahimtoola.—This is the actual price at which one can buy.

Mr. Campbell.—Yes, if one could on that date.

Mr. Rahimtoola.—You simply have said November. That means that the price is applicable to the whole of November.

Mr. Campbell.—Yes.

Mr. Rahimtoola.—If you have got the sale contract, can you give me the date.

Mr. Campbell.—Yes.

Mr. Rahimtoola.—Take No. 10. Is that the c.i.f. quotation?

Mr. Campbell.—C.i.f.c.i. quotation.

Mr. Rahimtoola.—Nothing is specified. You have only given me the quotation for November.

Mr. Campbell.—These qualities have not been in the market since 1929.

Mr. Rahimtoola.—But surely there are qualities of white mulls coming in from Lancashire.

Mr. Campbell.—Not comparable to these.

Mr. Rahimtoola.—Could you not compare it with the other mill qualities? I find here the Customs have given a price of 49 annas. There are four qualities given here which are entering the market.

Mr. Campbell.—They may be of quite a different character.

Mr. Rahimtoola.—When you can get a sample of Lancashire, could you not compare it with any of the qualities of the mills?

Mr. Campbell.—I don't quite understand the question.

Mr. Rahimtoola.—There are four qualities which are coming into India; otherwise the Collectors of Customs cannot give us the price. He has given a price of 49 annas as a wholesale market price at the end of August, so that at the end of August these mulls may have come in. I want to know whether you can compare those mulls with the qualities of Indian mills instead of comparing it with a quality which has ceased to exist since 1929.

Mr. Campbell.—It is really more a job for the importers than ourselves. They can more readily get this information than we can.

Mr. Rahimtoola.—No. 11, that is a most recent quotation—3rd December, 1935. This quality is replacing United Kingdom quality, but it is still in the market.

Mr. Rahimtoola.—Example No. 12.—What about this quotation?

Mr. Campbell.—That is c.i.f.c.i. quotation.

Mr. Rahimtoola.—You say that the last sale was made in 1932.

Mr. Campbell.—Yes.

Mr. Rahimtoola.—Will you give me the month?

Mr. Campbell.—We shall find that out.

Mr. Rahimtoola.—You have no other quality which has taken the place of this quality. This is a white mull. There are four qualities which are coming in as recently as 31st August. Instead of giving those which have ceased to come in, it would be helpful if you could bring the comparable qualities nearer to those which are actually in the market. Coming to Example No. 13, it is also a white mull which has ceased to come in since 1931.

Mr. Campbell.—Yes.

Mr. Rahimtoola.—Example No. 14.—It is stated here that the price is the actual sale price.

Mr. Clegg.—Yes.

Mr. Rahimtoola.—It was sold in November at that price.

Mr. Campbell.—Yes, it was c.i.f.c.i.

Mr. Rahimtoola.—What about the quotation for the Indian style?

Mr. Campbell.—That is the selling quotation.

Mr. Rahimtoola.—Is that the usual quotation by the mills?

Mr. Campbell.—Yes.

Mr. Rahimtoola.—Have you been able to sell this quality or do you find it difficult?

Mr. Campbell.—This quality used to go in very large quantities, but it can go now only in very small quantities.

Mr. Rahimtoola.—Example No. 15.—Here again under the head India style, you have written 'selling price', though you have not given either the number or the market.

Mr. Campbell.—We will try and get you the information.

Mr. Rahimtoola.—This is the first instance where you give the duty paid price of United Kingdom style, viz., 8 annas 9 pies per yard. You have taken the duty as 30 per cent. because there is the specific duty as well as the *ad valorem*.

Mr. Hopkinson.—We can give you the importers' information on that.

Mr. Rahimtoola.—I would like to have the information.

Mr. Campbell.—The specific duty has been taken.

Mr. Rahimtoola.—That is 2 annas per square yard. That will be 6 annas 9 pies. Can I take 6 annas 9 pies as the c.i.f.c.i. price?

Mr. Hopkinson.—If the duty is 2 annas per square yard, this being 42" wide, the duty will come to more than 2 annas.

Mr. Rahimtoola.—If I deduct the specific duty, it will become c.i.f.c.i. price.

Mr. Campbell.—Yes.

Mr. Rahimtoola.—As regards the Indian style, it is actually the selling price.

Mr. Campbell.—Yes.

Mr. Mudaliar.—There are just one or two questions which I want to ask in my own way—you can say 'Yes' or 'No' or you may decline to answer—with reference to the various Indian qualities for which you have given the average prices. You need not answer if you feel that you are embarrassed. How I have understood from such knowledge as I have been able to get on this subject is this. There are confidential documents called "Mills selling quotations". They are distributed fortnightly to about 70 or 80 members of the Bombay Millowners' Association. When 70 or 80 people get confidential documents, very little confidence is left behind. But—you may answer or may not—can I take it that all these average prices are copied from them and there is no more mystery about the mill quotations than that?

Mr. Campbell.—May I give you an answer later?

Mr. Mudaliar.—There is only one other question. With reference to all these 16 samples, I should like very much to have information, so far as the United Kingdom goods are concerned, as regards counts, reeds and picks wherever you can get them. I find from these papers that in some cases you have given and in other cases you have not given. In some cases you have only given reeds and picks and not counts. If you can give not only reeds and picks but also counts, it will be helpful.

Mr. Campbell.—Only of the United Kingdom quality?

Mr. Mudaliar.—Yes. I cannot expect you to give information about the Indian quality.

Mr. Campbell.—I will try.



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(Evidence continued on 14th December, 1935.)

President.—Gentlemen, we have finished for the moment with sections I and II of the Lancashire case; section III has been touched on but the Members will go back to it probably with reference to questions they may have to put to you, and then take up section IV which deals with Indian yarns and section V which deals with artificial silk fabrics and mixtures. Mr. Rahimtoola will now take you over cotton yarns.

Mr. Rahimtoola.—Mr. Campbell, I would now deal with section IV of your representation. You ask for a reduction of duty on yarns precisely on the same grounds on which you asked for the reduction of duty on cotton piecegoods, namely the drop in imports and the excessiveness of the duty.

Mr. Campbell.—Yes.

Mr. Rahimtoola.—I would like you to refer to the sentence in the second paragraph because there is a divergence of opinion on that subject. You say "We believe that it can be shown that quite apart from equating the differences between fair selling prices in the terms of the reference to the Tariff Board, a reduction in the rates of import duty on yarns of United Kingdom origin would be advantageous rather than detrimental to the Indian cotton industry as a whole, and free from any injurious consequences as regards the spinning section of the Indian industry". Will you kindly explain it in a little more detail? The reason why I am asking you is this: The Indian industry consists of three groups—one the textile mills, another the purely spinning mills and the third the handloom industry. With regard to the first two, they hold a totally different view from that held by you as regards this question, whereas the handloom industry requires a reduction in the duty in order to get its raw material which is nothing but a semi-finished article. I would therefore like to know on what considerations this statement was based, particularly with regard to the advantages, to the cotton industry as a whole.

Mr. Campbell.—The great bulk of our trade is done in counts of 50s or over—it is chiefly composed of 60s, 70s, 80s, 90s, 100s and 120s—and these are mostly used in the handlooms. The Indian mills at the present time are not producing sufficient quantities of these fine counts to meet the demand. Therefore, I maintain that it is to the benefit of the handlooms and we consider that it is necessary that they should be able to import these fine counts from us.

Mr. Rahimtoola.—Is it not a fact that Indian mills may not be able to manufacture any large quantities, of fine count goods because of the price difference?

Mr. Campbell.—As regards the price factor, it is largely in the hands of the Japanese. The price of Japanese yarns largely controls the market price even in these fine counts.

Mr. Rahimtoola.—Do I understand you to say that the United Kingdom yarn does not compete with Indian mill yarn in these fine counts?

Mr. Campbell.—Talking generally, yes.

Mr. Rahimtoola.—Just as we exchanged cases in Bombay, we also sent cases to the Madras spinning industry to see what criticism they had to offer and this is what they say: "On the other hand the Indian industry requires at the earliest possible date a reasonable increase in the present duties, particularly with reference to counts over 50s where it may fairly be held that no protection whatsoever exists to-day."

Mr. Campbell.—If the Indian industry requires protection for the fine counts, I do not see how they could have made what rapid progress they have made during the last year. Their production of fine counts has gone up enormously. You will see that they have made tremendous progress in the production of fine yarns. Our imports have remained just

about stationary, but there has been a large increase in their figures and also a large increase in the imports from Japan and China.

Mr. Rahimtoola.—But the statement given here of the imports of cotton yarn certainly shows a rise over 1929-30 figures in counts over 51s. You will find that in 1930-31 the imports were 2.52 million lbs. whereas in 1934-35 they have increased to 3.69 million lbs.

Mr. Campbell.—You have picked out the boycott year. If you take the year 1929-30 our imports of counts 51s and over were 6 million lbs. whereas last year, 1934-35, they were 3.6 million lbs. which is a 50 per cent. drop, at the same time Indian mill production during this period has increased enormously. Therefore, if our yarns were competing with the Indian yarn they would not make such tremendous progress.

Mr. Rahimtoola.—You told us just now that they were manufacturing in small quantities.

Mr. Campbell.—I meant they are manufacturing for their own weaving; there is very little yarn in the open market.

Mr. Rahimtoola.—What about the purely spinning mills who are not making any yarn for their own use? There are such mills in existence in Southern India for a long time and they are only catering for the handloom industry.

Mr. Campbell.—All I can say is that if you try and buy anything over 60s in the open market you will find great difficulty in doing so.

Mr. Rahimtoola.—It may be due to the question of price that has affected the sales and that is why they have not been able to produce them in large quantities and hence not able to meet the demand in India.

Mr. Campbell.—Our imports form such a small percentage of the whole that I am doubtful if it can be attributed to that.

Mr. Rahimtoola.—Where did you get the figures of production for counts above 51s?

Mr. Campbell.—From the monthly statistics of Indian spinning and weaving mills in India.

Mr. Rahimtoola.—That shows above 40s; that cannot give you the exact idea when we are talking of above 51s.

Mr. Campbell.—It is as near as we can get.

Mr. Rahimtoola.—How can they be comparable? When we are discussing the question of above 50s you are showing the figures of Indian production above 40s? We have been able to get figures from the millowners' statement in which the production shown is 11 million lbs. in 1934-35 of counts 50s to 120s for Bombay mills.

Mr. Campbell.—Then you have Madras and Ahmedabad.

Mr. Rahimtoola.—We have not got figures from other places. They are all 40s and upwards. It has been urged that we should regard for purposes of protection the spinning industry separately from the weaving industry and I should like to have your views as to what is the position in Lancashire with regard to these two industries. Are they two separate industries?

Mr. Campbell.—Yes.

Mr. Rahimtoola.—And, therefore, when you are giving quotations for yarns all the overhead charges are included in the price. That is exactly the position with the spinning industry in this country. As protection has been granted to the cotton textile industry only and not the spinning industry separately because it may hurt the interest of the handloom weaving industry, the point has now been raised that the spinning industry in the past has been hard hit and therefore they would also like to be protected separately. I suppose you would not raise any objection to giving a fair selling price to the spinning industry for the production of yarn.

Mr. Campbell.—No.

Mr. Rahimtoola.—When we arrive at the fair selling price we include all the overhead charges namely a fair return on the capital, depreciation, interest on working capital and managing agency commission? I suppose you will not consider these inclusions unreasonable.

Mr. Campbell.—That is entirely for the Board to decide.

Mr. Rahimtoola.—You took these heads into consideration when you arrived at the fair selling price of Lancashire goods?

Mr. Dutton.—They were all quotations obtained from the spinners of those yarns.

Mr. Rahimtoola.—I want to know whether these prices include the overhead charges as enumerated by me.

Mr. Dutton.—They include the usual overhead charges of the Lancashire trade.

Mr. Rahimtoola.—Are these the usual charges included in arriving at a fair selling price in any industry in Lancashire?

Mr. Dutton.—They are generally included but not on so generous a scale as the Indian millowners' calculations.

Mr. Rahimtoola.—You think 8 per cent. is considered to be an excessive return on the capital invested?

Mr. Dutton.—I should not say excessive; we should be very happy if we could obtain it.

Mr. Rahimtoola.—I am talking of the Indian industry and the criticism you have made about the millowners' calculations.

Mr. Dutton.—I should not like to comment on that. If it is reasonable in the views of the Board I would accept it.

President.—In the past I think, I understood from Mr. Rahimtoola that protection in this country to yarns was largely based not on the particular claims of the handloom industry or the purely spinning industry or the weaving industry but on the claims of the industry as a whole because most of the mills in this country were weaving their own yarns and did not have sufficient yarns to sell. What is the actual practice at Home? I understood you to say that there are spinning mills and weaving mills at Home. Are there much in the way of surplus yarns for sale by weaving establishments at Home?

Mr. Dutton.—Spinning and weaving establishments are spinning for themselves. If they desire to weave something on which they are not specialists for economical spinning, they would buy it from outside.

President.—Are you a spinner?

Mr. Dutton.—I am a spinner.

President.—Let me take a case like this. Assuming that there is a mill at Home making, shall we say, 10s, 20s or 30s or 40s and they want to go on to something finer, 60s or 70s or up to 100s, how do you proceed in a case like that?

Mr. Dutton.—It would present very great difficulties indeed. In the first place the cotton used for 10s or 20s would be entirely different from the cotton used for 60s and above, so that a fresh mixing would have to be obtained. After that the process would be different. The hank roving would be different and finally when finer counts are being spun, it would only take up a very much smaller proportion of the machinery to produce them so that a lot of carding machinery would be stopped while the whole of the spinning machinery would be running.

President.—Is that the case? If you went on to fine yarn an allowance would have to be made for standing machinery.

Mr. Dutton.—It would add a very great deal to the cost of spinning of yarn. There would be a still greater difficulty and that would be in the quality of the yarn, because workers who are accustomed to 10s and

20s would find very great difficulty in spinning 60s and 70s and in many cases it would be impossible, because the fine trade depends on quality, while the coarse trade depends on mass production.

President.—How do you proceed to allocate the costs? I do not know if you do that at Home. Do spinning mills at Home, as a rule, run on one range of counts for a time and then on another range of counts?

Mr. Dutton.—Speaking generally, a mill at Home is extremely well-balanced. It has an average count and above or below that it rarely varies because of the exceptional costs which would be caused by going on to the higher counts in the way I have mentioned. From that arises a very great marked division between the coarser section and the fine section.

President.—Assuming that you did go on to finer counts and it is a natural evolution that everybody here is looking to. I gather from your case and it is a thing that must be admitted that the Indian mills must gradually go on to finer counts. Take the Bombay mills. Originally many of them were purely spinning mills spinning for the export of yarn to China and elsewhere in the East or spinning for the handloom industry. Gradually they were driven to making cloths. Gradually they were also driven to making finer cloth and finer yarns. How would you proceed to allocate the cost in a case like that? Supposing a mill which has been accustomed to making 20s or 30s of that description and supposing it intends to go on to the extent of 5 per cent. to what you would call finer yarn, how would you allocate costs?

Mr. Dutton.—It has been such a burning question in Lancashire that it has brought out specialists and Accountants to meet the case. It is considered beyond the calculations of ordinary mill Accountants. Such heavy losses have been made so unexpectedly on the ordinary calculations that specialists have been brought in to allocate the costs in each particular department and it has been found almost impossible to consider the spinning of fine counts in the coarse mill. We are quite aware that everybody can buy machinery for that, but the difference is so very great by reason of the different hanks, etc., that I think I may say, without wishing to give advice to our Indian friends, that in Lancashire we have found it impossible to spin fine yarns in coarse count mills on an economical basis.

President.—I accept all that as regards Lancashire, but I was really thinking of the problem as we have to face it. Just now in Bombay we are gradually—probably not as fast as India would like it, turning over from coarse counts to fine counts. It must naturally be a slow process. Will they start with 1 to 5 per cent. or will they definitely import a certain amount of machinery and start spinning fine counts and then arrive at the costs?

Mr. Dutton.—I hope you will excuse me if I become a little technical. The whole thing bristles with difficulties. For instance the cards would have to be slowed down to half the speed at which they would be run for coarse counts and unless you had really a good order to enable you to go on to a sufficient quantity of fine yarns, it would upset the whole calculation. My spinning friends in India know quite well that the wire on those cards would have to be entirely different from the wire on cards making coarse counts and as we go on from one machine to another until we reached the spinning machine very great alterations would have to be made, and unless there is a continuous flow of orders to keep the mill working on both the coarse and fine counts, there would be loss.

President.—Assuming there is a continuous flow of orders, how do you proceed to allocate the costs?

Mr. Dutton.—We have all been through the same difficulty. The coarser count man would have had just the same difficulty, because he would have to allocate the costs right from the beginning counting the stopped machinery and the slower speed until he has gone over the whole gamut. As you know, cotton is doubled over 2,000 times before it reaches the finished stage. We

have found it so difficult to allocate these costs that apart from our own efficient costing Accountants in England, we have had to call in specialists for that very purpose.

President.—Is there any literature on the subject?

Mr. Dutton.—There is. I shall probably be posing as an expert.

President.—Is the expert defined there?

Mr. Dutton.—An expert has been defined as one who learns more and more about less and less until he finally knows everything about nothing and if I may add to that, I saw in the "Times" that the politician is one who knows less and less about more and more until he knows nothing about everything.

President.—I was really seeking enlightenment from you. I shall come back to this at a later stage.

Mr. Rahimtoola.—In Section IV relating to cotton yarns it is stated that in 1931-32 the quantity of yarn spun in Indian mills was 966,000,000 lbs. whereas imports from the United Kingdom were just under 12,000,000 lbs. or something less than $1\frac{1}{4}$ per cent. We have received a representation from the cotton spinning industry in which they have taken objection to this statement. I shall read out to you their point of view as you had very little time to go into this question. They have given us a table (10) where they say that in 1931-32 the balance of yarn available for sale to the handloom weavers amounted to 370 millions of lbs.

Mr. Dutton.—In reply to that I should like to say if we eliminate all the yarn spun by the manufacturers concerned, it alters the position. Supposing we take the actual amount of yarn spun regardless of the fact whether it is spun in a spinning mill or combined spinning and weaving mill, the United Kingdom imports amount to $1\frac{1}{4}$ per cent. If we take only the quantity of yarn available for sale in India, then United Kingdom exports would come to 3·3 per cent., but I should put it to you as a Lancashire cotton spinner that it will be a very easy way of eliminating the production of combined spinning and weaving mills.

Mr. Mudaliar.—The point of it is this: you have compared your total imports with the total yarn production in this country. You say as against 900 millions, what is 12 millions, a mere bagatelle. It cannot have any effect on prices and it cannot be a very influential competing quantity. The point that is made against that is you have to eliminate all the yarn that is consumed in the weaving mills. So far as your imports of yarn are concerned, they don't enter into competition, because whatever yarn is produced by the combined mill is used for consumption as cloth there. Therefore you have to take into consideration that portion of the yarn which is released to the handloom weaver who is the ultimate purchaser and consumer of both your imported yarn and the spinners' yarn in this country. As against that your imports are fairly large and therefore they affect their prices.

Mr. Dutton.—I should say it is quite a reasonable argument, but in looking through all the figures of Indian mills, I should not say it is borne out, taking 40 spindles to one loom—which I think it is a fair statement—it is not borne out.

President.—The point that Mr. Rahimtoola and my other colleague are making is the percentage point, but you have minimised the figure by dealing with 960 millions.

Mr. Dutton.—If you will excuse me, you will bring it down to the yarn available for sale. That is the figure which I should distinctly contend it is not. If you do, it would only raise the percentage figure from $1\frac{1}{4}$ to 3·3.

Mr. Clegg.—May I say as a manufacturer that it is improbable that all the yarn spun by a combined spinning and weaving mill is used in its own looms and nothing else.

Mr. Mudaliar.—It is nobody's case that that is so. We will only take the surplus yarn after the cloth is produced.

Mr. Clegg.—I see.

Mr. Rahimtoola.—We have taken into consideration 5 per cent. of the surplus yarn available out of the spinning and weaving mills and taking also the purely spinning mills yarns which are catering for the handloom weavers and competing with the imported yarn, the difficulty becomes greater.

Mr. Clegg.—I see.

Mr. Rahimtoola.—You are talking about spinning and weaving mills. Are you referring to Table No. II? It does not work out as 40 spindles to a loom.

Mr. Clegg.—Yes.

Mr. Rahimtoola.—Have you calculated this purely on a loom basis? What about the spindles that are used in the weaving industry?

Mr. Dutton.—I merely used that figure as a calculation which is often used as the unit for costing purposes.

Mr. Rahimtoola.—Would you consider that as an economic unit?

Mr. Dutton.—It is accepted in the Indian trade generally as a costing unit.

Mr. Rahimtoola.—I am glad to get your endorsement.

President.—Is there a material difference in the cost of mule as against ring spun yarn. We have it stated somewhere that most of the fine yarns that come from the United Kingdom are mule spun yarn in competition with ring spun yarn in this country. Can you tell me what the difference would be off-hand?

Mr. Dutton.—I should at once say yes. I know that we have a lot of argument in Lancashire which you will have also in India. My firm will sell ring yarn at the same price as the mule yarn given the same twist. If you ask me for a price for 60s twist, I will sell it, ring cop or mule cop at the same price.

President.—And if it is weft?

Mr. Dutton.—If the turns are the same in each case it will be the same.

President.—Are the turns usually the same in each case?

Mr. Dutton.—You mean ring weft and mule weft. That is according to the yarn order. We are making it for so many trades that we have to alter the twist. In India I find the twist is invariably a full twist.

President.—But broadly speaking there is not much difference in the production costs between mule yarn and ring yarn.

Mr. Dutton.—A great deal depends upon the efficiency of the firm.

Mr. Rahimtoola.—Does it also depend on the count of yarn?

Mr. Dutton.—Yes, it would. With the latest adaptations and inventions, very coarse yarns can be produced economically on a ring.

President.—We are rather thinking of the finer yarn.

Mr. Dutton.—I have been in a great many countries to attend meetings of the Cotton Congress. The spinner in every country is proud to tell the Lancashire spinner that he can spin up to 120s on a ring. We are all very proud of that. We can all do it. I think that every spinner can do it. But beyond that count (120s) mule is infinitely superior.

President.—There is a lot of Japanese yarns coming in mercerised double folded yarns. They are not able to tell me which it is.

Mr. Dutton.—I am extremely glad that you raised this question. I have been enquiring from all my friends since we arrived here if they could elucidate that problem. 2/64s mercerised bleached yarns sell in this country at very little higher price than the 60s single yarns from which the double folded yarns are manufactured although they bear the duty.

President.—If we were trying to get at the difference between relative costs at which Japan could send in 60s single yarn and also 2/64s.

Mr. Dutton.—The 2/64s have to be folded, gassed, bleached and mercerised. There are 4 extra operations.

President.—What would be the cost in Lancashire to do all that?

Mr. Dutton.—Taking from 60s single to 2/64s, it would come to at least a shilling per pound. We should have to double it; we should have to gas it; we should have to mercerise it; and we should have to bleach it. I think my friends will agree with me that a shilling per pound on the basis of the costings which I have read with so much interest would be a low payment indeed.

Mr. Rahimtoola.—Their faces do not show that they agree.

President.—When we were discussing the cloth, we have always been told about the differences and that it is impossible to compare them. We cannot get the comparability of goods because there are so many different factors that enter into it. Does that apply equally to yarns? Supposing there were samples of Lancashire yarns on the one side and the Indian made yarns on the other side, and also Japanese yarns if you wish to bring them in for the sake of comparison, is there likely to be the same difficulty with regard to yarns as there is with regard to cloth?

Mr. Dutton.—Not if we have all the necessary testing apparatus.

President.—Could we supply the necessary apparatus?

Mr. Dutton.—When we receive samples from this country, we take them to the Shirley Institute where they have the testing apparatus. So precise is the test that I find difficulty in proving myself an expert if you ask me to make a very close comparison. But if we take, say, the strength test and the test for the purpose for which the article is required we can get a good deal nearer the comparability than our cloth friends.

President.—Let me put it this way. The man who is consuming the yarn is largely the handloom weaver. He does not know except from a practical point of view anything about the various technical points of production of yarn. I was wondering if you could go through all the samples of yarn put in front of us representing imported yarn and locally made yarn and tell us what the material differences are and what, if any, allowances have to be made in respect of same?

Mr. Dutton.—I was given two yarns from this country which were exactly of the same count. To look at them they did not look very much different, but when they were tested, there was a difference of 20 lbs. That was so very great a difference that I found it very difficult indeed to believe it because the twist was the same. Had the twist been a soft twist, I could have understood it. There must be a use in this country for an exceedingly strong yarn and for a very weak yarn of the same count.

President.—As I understand it, if you are supplying yarn to a mill for use in the power loom, it has to be much stronger and firmer than the yarn supplied to the handloom weaver, to make it into a particular type of cloth.

Mr. Dutton.—Most decidedly.

President.—I do not know what the extent of the difference would be. Still with your knowledge of the conditions of yarn production generally, I would like very much indeed if you would do with your yarn, as I suggested that you should do with the cloth. Let us have a comparability of the two kinds and a note on the differences which would affect prices.

Mr. Dutton.—I shall certainly do my best.

Mr. Rahimtoola.—With regard to counts below 50s, you have made a statement here that though you appreciate the differential duties which came into vogue in 1934, it is not enough for the United Kingdom yarns. Would you be able to give us prices of yarns, as you have kindly promised to give me the prices of imported piecegoods, since May, 1934, to enable

me to judge the prices that were prevailing at the time when protection was granted and the prices at present prevailing in respect of different counts? I understand that the main competition is in 32s to 40s, and therefore when you are asking for a reduction of the specific duty on counts below 50s, I should like to go into the question of prices.

Mr. Campbell.—Did you say from 1934?

Mr. Rahimtoola.—Yes.

Mr. Campbell.—Protection has been there from 1927.

Mr. Rahimtoola.—You can go as far back as 1922 when the duty was first raised to 5 per cent. The differential duties came into force with regard to yarn in 1934. Am I right?

Mr. Campbell.—Yes.

Mr. Rahimtoola.—Therefore I would like to have prices only from 1934.

Mr. Campbell.—If we are going to give prices, I would rather go further back.

Mr. Rahimtoola.—I don't mind. If you can give me without extra trouble, so much the better.

Mr. Campbell.—Yes.

Mr. Rahimtoola.—You will probably agree that when protection is granted to the industry, especially by means of a specific duty it is more effective for the simple reason that it gives the maximum protection required by the industry and thereby a sense of security in the falling market. The *ad valorem* duty is generally levied as it was done on the last occasion for the sake of revenue considerations of Government. In our present enquiry we have nothing to do with the revenue requirements of Government, as we are asked to equate the fair selling prices of Indian goods to those of imported goods. According to you—there is no likelihood of your prices going down, and I was wondering why there should be so much insistence on your part on the abolition of the specific duty even going to the extent of calling it a prohibitive or a penal duty.

Mr. Dutton.—That would be from the fall in the price of cotton.

Mr. Rahimtoola.—If there is a fall in price due to cotton, even then would you not consider that it is just at that point or on that occasion that protection is needed most?

Mr. Campbell.—During the last few years on 32s and 40s, the specific duty has amounted to as much as 12 per cent. *ad valorem*.

Mr. Rahimtoola.—I would like to see it for myself whether the duties have worked to that extent. I suppose your case with regard to specific duties on piecegoods is also on the same footing.

Mr. Campbell.—Yes.

Mr. Rahimtoola.—Do you know the reason why the specific duty on plain grey was agreed upon by Government? In 1930, when the debate took place in the Assembly there was no specific duty proposed by the Government in the original Bill. It was only during the debate it was proposed that the specific duty on plain grey goods should also be levied on United Kingdom goods. After careful consideration, Sir George Rainy, the then Commerce Member accepted the 3½ annas specific duty as being necessary on plain grey goods for the adequate protection of the industry against United Kingdom goods.

Mr. Campbell.—That is perfectly true.

Mr. Rahimtoola.—If you study it, you will find that it works out to an equivalent of 15 per cent. *ad valorem*.

Mr. Campbell.—But when the Yarn Protection Act of 1927 was brought in

Mr. Rahimtoola.—I am now discussing the question of piecegoods.

President.—Let us hear what Mr. Campbell has to say about the Yarn Protection Act.

Mr. Rahimtoola.—Certainly, I have no objection.

Mr. Campbell.—The point I was about to make was this. When the Yarn Protection Act was brought in and when it was renewed in 1930, it was solely done in the first place to meet the Japanese competition and in the second place to meet the Chinese competition. In the representations made by the industry out here, the United Kingdom competition was not mentioned at all and we had to suffer because of the competition from Japan and China. If it had not been for this competition, I do not think we would have had the specific duty on our yarn.

Mr. Rahimtoola.—You mean in 1927?

Mr. Campbell.—Yes.

Mr. Rahimtoola.—When there was a uniform duty and not a differential duty?

Mr. Campbell.—Yes.

Mr. Rahimtoola.—The differential duty came into force in 1934.

Mr. Campbell.—Yes.

Mr. Rahimtoola.—I am talking of piecegoods for which you have made the same demand namely the total abolition of the specific duty. At the time when the duties were put into effect, they were not equivalent duties.

Mr. Campbell.—No.

Mr. Rahimtoola.—If you see the prices of 1929-30, the duties would come in certain cases to about 39 to 40 per cent.

Mr. Campbell.—They were at one time between 40 and 50 per cent.

Mr. Rahimtoola.—You have said something about the intention of the Legislature. The 3½ annas specific duty was levied because there was a precipitate fall in the prices at the time.

Mr. Campbell.—Quite true.

President.—On this point regarding your insistence that your costs are not to get lower, why do you protest so much? I see there are a great many conferences being held in Lancashire and bills have been introduced at Home. We hear about rationalisation, the result of which will be not to reduce costs.

Mr. Dutton.—The object of these schemes is this. There have been five of them, and they are all price raising schemes.

President.—You mean it has done for the raising of prices.

Mr. Dutton.—They were all with the definite idea of having a binding agreement. We had a little difficulty in getting entire agreement. There are black sheep in every community. So, we proceeded to legalise the agreement and we went in for putting the seal of a company on a deed of agreement. They are all carefully calculated schemes or rather the margin is carefully calculated to give a return on capital instead of dissipating our capital in the way in which, I am afraid, all industries do at a time like the present.

President.—You want to eliminate the black sheep as far as possible and keep no one else but gentlemen in the trade?

Mr. Dutton.—I do not wish to eliminate them, because that is impossible. We want to bring them back into the fold.

Mr. Rahimtoola.—With regard to the question of falling off in the imports of yarn, I think it may be due more to the boycott than to the excessiveness of the duty. It was brought to our notice when we were last enquiring into the cotton industry that if the mills or handloom weavers used the imported yarn in the manufacture of their cloth, it would be unsaleable in the market. Therefore I do not know how far to place reliance on your case for the reduction of duties on the ground of the fall in imports.

Mr. Campbell.—I should say that if the duties were not too high our imports would have increased once the boycott was over.

Mr. Rahimtoola.—I do not know whether the boycott is over even to-day. It may be officially over, but if you go round the markets you will find that the swadeshi feeling has come to stay in India and people prefer swadeshi goods to any other goods in India. Therefore the imports may not be a correct guide to show that the fall was entirely due to differential duties.

Mr. Campbell.—I should like you to put that question to our importing friends. They know more about it. But on the information that I have, I don't think that that is correct.

Mr. Rahimtoola.—I would not like to say that that is correct. The figures reveal it. I don't think you will deny that the swadeshi feeling does exist in this country to-day.

Mr. Campbell.—It does.

Mr. Rahimtoola.—It has certainly something to do with the imports from your country as well as other countries. I am tracing the history of the swadeshi feeling and I say that it is impossible even in 1934-35 to say how much of the reduction in imports is due to the duties as against the swadeshi feeling which has come to stay in this country. But I am quite agreeable to take up this question with the Chambers of Commerce when they come before us.

Mr. Campbell.—Yes.

Mr. Mudaliar.—We have been told that there is a relationship in the manufacturing costs between yarn and grey cloth. Are you in a position to say that that is so? We have been told, for instance, that in the production of yarn roughly speaking 50: 50 could be taken as the proportion of manufacturing cost and the raw material cost. But in the case of grey cloth the proportion is 2 to 1. Would you accept that? You see the representation of the Cotton Spinning Industry. They say "Grey yarn and grey piecegoods are closely related to one another. The cost of yarn of medium counts consists roughly of two parts cotton content and one part manufacturing charges, while grey cloth of similar counts comprises roughly one part cotton and one part manufacturing charges". Would you accept that as a fair statement of the case?

Mr. Clegg.—I should say as a manufacturer that for medium counts of the classes of goods that have come into the Indian market probably the cost of the raw material would be about 60 per cent. of the value of the cloth. The cost of the yarn which the manufacturer would buy would be about 60 per cent.

Mr. Mudaliar.—Take a piece of cloth and take a quantity of yarn out of which that cloth is made. The cost of producing the yarn would be 1/3rd of the total cost of the cloth and the cost of producing the same cloth would be 1/3rd of the total cost. That is how I read this representation.

President.—Read the representation yourself and say what you think of that.

Mr. Clegg.—I am afraid this needs rather more going into. What I told you is that the cost of the yarn the manufacturer would buy for his cloth would be about 60 per cent. of the total cost.

Mr. Mudaliar.—That would include both the raw product and the manufacturing cost?

Mr. Clegg.—That is so.

Mr. Mudaliar.—Take yarn by itself. What would be the proportion of the raw product and the manufacturing cost?

Mr. Dutton.—It would vary so much indeed that I should not like to commit myself. It would vary according to counts and quality.

Mr. Mudaliar.—Take American cotton and have it carded in medium counts?

Mr. Dutton.—I should say about 50: 50.

Mr. Mudaliar.—That is what this representation says.

Mr. Dutton.—But not taking other things. It would vary very much indeed according to counts and quality.

Mr. Clegg.—I should have said the same thing would apply to cloth.

Mr. Mudaliar.—I think the best thing for you will be to think over paragraph 4 and give us a considered statement on the subject. Apart from the conclusions which this representation wants to draw you may draw your own conclusions. Take the same quality of cotton and say what will be the charges for manufacturing a certain amount of yarn and manufacturing cloth out of the same amount of yarn.

Mr. Clegg.—I think anything I could give would only be approximate.

Mr. Mudaliar.—We are not going to tie you down to any percentage.

President.—We simply want a rough generalization. That is what my colleague has been asking.

Mr. Mudaliar.—I understood from Mr. Campbell's opening observations that so far as counts below 50s are concerned, United Kingdom is not importing these in large quantities?

Mr. Campbell.—Yes, very small quantity.

Mr. Mudaliar.—That is borne out by the figures also and therefore your main contention is about counts above 50s?

Mr. Campbell.—Yes.

Mr. Mudaliar.—Regarding the competitive nature of this yarn, apart from whether it is Indian or United Kingdom, you would say that counts 60s or 70s in any country would compete against 50s if there was not a large price difference between the two?

Mr. Campbell.—I don't quite get your point.

Mr. Mudaliar.—There is an arbitrary distinction at present under the law between counts below 50s and counts above 50s. I want to know how far that is borne out by actual practice in the trade. Would a handloom weaver go in for counts 60s for the same purpose for which he would use 50s if the price factor was not a very material consideration?

President.—There must always be an arbitrary division, 50s, 80s or 100s as the case may be; there comes a time when the specific duty is imposed on articles below 50s and if the price drops the specific duty is such a large proportion of the cost that it would probably pay the man who is buying counts below 50s to change over to 60s or 70s. Have you anything to say on that point? I think in the cloth trade you call it substitution?

Mr. Campbell.—There again I should say that is much more a question for the importers to answer than us, but I will give you my own view and that is that counts of 50s and over have always been in demand from the handloom weavers for specific purposes and 32s and 40s will go to different areas from what the finer counts will go to.

Mr. Rahimtoola.—We want to know whether a change can take place from 50s to 60s. The point is not whether it is saleable or not, the point is whether price being equal or very near a man would prefer to use 60s instead of 50s?

Mr. Campbell.—The whole trend in the trade in India in recent years has been to go in for finer counts, and therefore there has been a greater demand for fine counts.

President.—I quite agree with you there but the point I am trying to make is this; there must be an arbitrary line of division: for specific duties we take it as 50s. You have told us that when the price drops the specific duty is unreasonable, instead of 5 per cent. it comes to 15 per cent. Therefore there must be a time when the handloom weaver says "all right, I will rather have finer counts and escape the specific duty".

Mr. Campbell.—I don't think that that can be taken into consideration during the last few years because the handloom weavers have always been able to get their supplies of 32s or 40s either from Japan or China.

Mr. Mudaliar.—I will put it a little more plainly. There is Indian raw cotton from which counts up to a certain number can be produced; beyond that Indian raw cotton of any staple available cannot go. There is the imported cotton from which alone counts above a certain number can be produced. Supposing, just by way of hypothesis, I am thinking of protecting completely all types of yarn that can be produced from raw cotton which is produced here and which is available, and supposing on the advice of experts here I come to the conclusion that yarns up to 50s—that again is an arbitrary figure—can be made out of Indian raw cotton and I decide to protect completely all those yarns up to 50s, how far should I go to protect it? How far is there direct or indirect competition?

Mr. Campbell.—Once the price goes too high the consumer will change over to a different count.

Mr. Mudaliar.—Up to what stage? You surely do not think that a man who is using 50s can at once go over to 200s whatever the price factor may be? Supposing the price difference was not very material would he go over to 100s for the same purpose?

Mr. Campbell.—No. It is very difficult to answer that. I don't think it is possible to give any figure to show where substitution would actually take place.

Mr. Mudaliar.—I should like to help the handloom weaver and at the same time I should like to help the spinning interest in this country. It seems to me that the spinner's interest and the weaver's interest is mutual. The spinner has to look to the handloom weaver and on his prosperity the spinning industry has to depend largely because the spinner only supplies to the handloom weaver. That is the position in this country. I want to see how far the spinner can be helped without penalising the handloom weaver, and it is therefore that I want a high watermark, if I may say so, of the counts of yarn which will be sufficient to protect all the spinning that can be done with the raw cotton produced in this country. You may think it over and give me an answer later if you like.

Mr. Campbell.—Yes.

Mr. Mudaliar.—There are different counts of yarn that are imported, grey yarns of various counts, bleached yarns, there is the dyed yarn and then we come to other sections. So far as grey yarns and dyed yarns are concerned I understand grey yarn is produced in this country and knowing the methods of the handloom weavers' work, the dyeing is always done by him. So that if you are sending him dyed yarn, you are competing with yarns produced in this country and with the handloom weaver. Take bleached yarn. Do you know how much is produced in this country of anything at all?

Mr. Campbell.—We have not got any figures to show how much is being produced.

Mr. Mudaliar.—Take other kinds of yarn, mercerised. Have you any idea how much is produced in this country?

Mr. Campbell.—As far as I know nothing is produced; it is mostly from Japan.

Mr. Mudaliar.—You do not produce either?

Mr. Campbell.—We used to import fair quantities until Japan entered the market.

Mr. Mudaliar.—Take hosiery yarn. Is that a special type?

Mr. Campbell.—Yes.

Mr. Mudaliar.—Can you give me the figures of your imports?

Mr. Campbell.—That also is in the hands of the Japanese.

Mr. Mudaliar.—In your supplementary memorandum regarding yarn you state "In the yarn trade there can and does exist an import business which certainly does not compete directly with Indian spinning mills and

the indirect competition the effect of which is practically negligible” I want you to explain what are the detailed kinds of yarn that are imported to which that statement can apply.

Mr. Campbell.—Anything from 60s and upwards does not compete with Indian mill production to any extent.

Mr. Mudaliar.—As I said, there may be indirect competition between 50s and 60s if there is any wide margin in the price factor.

Mr. Campbell.—That is so.

Mr. Mudaliar.—Again you say “there are types and counts of cotton yarn which are required either by handloom weavers or millowners the demand for which cannot be met without drafting on Lancashire’s supplies”. Leaving aside the Indian millowners for the moment, take the handloom weaver: what are the types that you are referring to which Lancashire alone can supply to the handloom weaver?

Mr. Campbell.—We are referring to the reject yarn which forms the bulk of our trade in India.

Mr. Mudaliar.—Can you tell me what reject yarn is?

Mr. Dutton.—In Lancashire we have 42 million spindles of which 31 millions are mule spindles. These spindles spin an enormous amount of yarn for the hosiery trade and similar trades in which the production is sent away in the form in which it is spun. If any fault is found, if there is a wrong twist, if there is a dirty cop or if there is any mark whatever they are rejected by the mule spinners or the packers, and you can understand on 31 million spindles there is a very large amount of this yarn which is separated into precise counts and is either sent direct in cop form or is very carefully reeled. It is not so precisely finished as the perfectly spun yarn; it may be a little weaker.

Mr. Mudaliar.—Is this reject yarn which is imported a new innovation in your import business or has it been going on all the time?

Mr. Dutton.—It has been going on always. The yarn is quite a good yarn, but it is bad in appearance. Everybody knows that some times cops are misshapen. They may have imperfections in the form of dirty marks.

Mr. Mudaliar.—The very name reject shows that somebody or other is prepared to reject. It cannot be the best quality yarn.

Mr. Dutton.—Quite.

Mr. Mudaliar.—Has your trade in reject yarn gone up during the last few years or is it stationary? Is the proportion of reject yarn the same as you were doing some years ago?

Mr. Campbell.—Very much smaller.

President.—Do you send it to any other country? Do you send it to India for handloom weavers? Why do you send it to India particularly?

Mr. Campbell.—There has always been a demand in India for reject yarn.

President.—I assume for the handloom weaver.

Mr. Dutton.—Strange to say it goes to other countries with a long winter where people have to sort this yarn out and I believe they also have handlooms. There was considerable trade in Rumania and Norway.

Mr. Mudaliar.—Could you give us the actual figures of reject yarns?

Mr. Dutton.—They are never separated in the returns.

Mr. Campbell.—In our returns it comes under counts between 50s and 100s and you will see that this has gone down from 1929-30. It was 6,000 and now it is 3,500.

Mr. Rahimtoola.—When I discussed with you this morning, you didn’t say that it was included. You gave me to understand that the total imports of yarn from the United Kingdom is over 50s to 100s.

Mr. Campbell.—It includes reject yarn. I didn’t mention it then.

Mr. Rahimtoola.—I want to know whether there was an increase or decrease of reject yarn as separate from perfect yarns of 50s to 100s. The impression I gathered was that reject yarn figures have definitely gone up. Can you please supply us the import figures?

Mr. Campbell.—I don't think we can give you the figures.

President.—We will ask the importers.

Mr. Mudaliar.—Will you kindly turn to your supplementary memorandum No. II? When you tested the yarns at the Shirley Institute, did you take the yarns that were produced by the mills which used that yarn for the cloth or did you take the yarn which the mills sent to the handloom weaver for manufacturing? You do not know what that yarn was.

Mr. Campbell.—I will let you know about that afterwards.

Mr. Mudaliar.—The point that I am suggesting for your consideration is this: you lay great stress on the strength of the yarn. If it is to be used in the power looms, then its strength will be great. If it is intended for the handloom weaver—that is what we are concerned with in the question of the yarn business—then the question of the strength will not arise. The strength must be necessarily much lower. You are making the statement here that Indian yarns of the same counts as United Kingdom imports are considerably stronger. It may be so or it may not be so. I should like to know whether the test you have made of the yarn is the yarn produced in a purely spinning mill in which case we may take it that it is intended for the handloom weaver, or yarn produced in a combined spinning and weaving mill. You must take it that it is intended for the power looms.

Mr. Campbell.—We will let you have that information.

Mr. Mudaliar.—Later on you say: Superior strength is a factor of great importance in competition, and we suggest the Board should bear this in mind when comparing prices. You have yourself stated just now that reject yarns are in good demand by the handloom weaver. They are not of superior strength and therefore where we are taking the question of yarn pure and simple—and here I am considering the question in relation to the handloom weaver—you will agree that superior strength is not one of the factors to be taken into consideration.

Mr. Campbell.—That is true.

Mr. Mudaliar.—Therefore to that extent that is not a fact. I wonder whether, with your technical knowledge, you can help us. Will you turn to the representation of the Cotton Spinning Industry. The last Tariff Board has made certain calculations with regard to the output per spindle per day. The Southern India Millowners say that a great error has been committed and that therefore protection granted to them has been very small. 3.85 oz. average counts 40s is the output per spindle. They say: "This is either a printer's error or the Board has gone very sadly astray". I want to know from you as practical men what your output per spindle per day would be if you are spinning 40s.

Mr. Dutton.—What do you call a day—double shift?

Mr. Mudaliar.—No. We will come to the double shift when we take the evidence of the Bombay Millowners' Association. Take 10 hours.

President.—What is the working day at home?

Mr. Dutton.—8 hours. I worked the 40s out on 10 hours. I should call it in an ordinary quality 3 oz. It would vary a great deal according to quality.

President.—Instead of 3.85, it should be 2.35 ozs. It is one thing on which you both agreed.

Mr. Campbell.—I am glad of that.

Mr. Mudaliar.—In your main memorandum you say: "We contend, however, that the same considerations by no means apply to the prices at which the yarns normally supplied by the United Kingdom are offered, and

that a uniform *ad valorem* rate which strikes a fair average, whilst its incidence may be less in one case than another on the prices per lb. will in practice cover such margins as exist". On this question of average if you are not really importing yarns below 50s and if your main business is in yarns above 50s, how will you strike an average? It will be a misleading average. In any case with reference to yarn, we will have to arrive at differentials on various counts and the problem is where to draw the differential.

Mr. Campbell.—Our argument here is really based on the principle of the adoption of specific duties. Specific duties are imposed to deal with abnormal circumstances, either abnormally low prices or depreciated exchange. Neither of these two apply to the United Kingdom and therefore on these grounds we see no reason why the specific duty should be imposed on our goods. We therefore suggest that there should be a uniform *ad valorem* rate. By that in some directions the Indian mills might gain and in other directions we might. Working on an average, we should probably be all square.

Mr. Mudaliar.—That I can understand. Supposing you take counts up to 50 or 60 and you equate the prices, you get a difference of 1½ annas or 2 annas at the most. At the moment you can either put as a specific duty of 2 annas or put the equivalent duty which is a mere arithmetical proposition. It does not make the slightest difference for the time being. Am I right? Supposing you take the prices of 40s to 50s, you find that the Indian fair selling price is A and the United Kingdom landed is A-2. Equivalent in the form of specific duty would be 2 annas. You merely work out the percentage of A-2 and you get 15 per cent. or 10 per cent. or say 10 per cent. *ad valorem* is required. At the moment, when you equate the prices whether you say it is the specific duty or whether you give an arithmetical equivalent of *ad valorem* percentage of duty, it makes no difference either to you or to the industry.

Mr. Streat.—On that particular line.

Mr. Mudaliar.—We are thinking of yarns alone. On that particular line, it would not make any difference.

Mr. Campbell.—Except that you cannot equate prices by a specific duty.

Mr. Mudaliar.—The first thing even for an *ad valorem* duty is to equate it on annas pies basis.

Mr. Streat.—The same 2 annas would be more than 15 per cent. on a neighbouring quality in one direction and less on a neighbouring quality in another direction, as presumably the differences in cost would be constant.

Mr. Mudaliar.—Perfectly right. Supposing you take a percentage, would you not find exactly the same results following? Supposing you take 15 per cent. on one quality and you work out the duty on the lower quality, it would be more than 15 per cent. That result follows in either case. I don't see any difference. That is why you take an average of a number of qualities. Having taken the average you find the equivalent. It doesn't matter for the time being—again I stress the point at the moment when protection is granted, whether it takes the form of specific duty or *ad valorem* duty. The advocates of the specific duty have relied on what I may call the prospective future, that is to say if prices go down, the specific duty will be a very much better check than the *ad valorem* duty. Conversely if prices go up, the *ad valorem* duty will give more protection than the specific duty. Is that right?

Mr. Campbell.—Yes.

Mr. Mudaliar.—In this particular instance you have been stressing over and over again as the President pointed out on the point that your prices are like to go up rather than down.

Mr. Campbell.—As regards labour.

Mr. Mudaliar.—All conditions relating to the industry including the rationalisation scheme.

President.—As regards labour conditions and not as regards manufacturing costs.

Mr. Mudaliar.—Can you visualise the prospects of the future with regard to the raw material costs or is it impossible?

Mr. Campbell.—Absolutely impossible.

President.—You have been good enough to give us some notes in reply to the cases submitted by others. It has been stated that apart from the purely protective duties into which we are enquiring, there are other factors influencing comparative prices that bear rather heavily, that is to say duties on machinery, imports of better class of cotton, chemicals, etc. You have given us a few things here in that connection. Could you just tell us in a word how you would meet that argument that has been put forward by the Indian industry about the protective duties? These are the drawbacks in comparison.

Mr. Campbell.—I was thinking in connection with what we say here that we have to pay duty on all our charges such as freight, insurance, packing and packing material. We have to pay 25 per cent. on all these charges.

President.—I was rather thinking like this. Take the case of machinery for instance. You make your own machinery and they have to import their machinery.

Mr. Dutton.—We import a lot of machinery as the figures would show

President.—To what extent? What type of machinery do you import... Do you mean the high draft system and quick speed winding frames?

Mr. Dutton.—Yes and other machinery. Although I should be very glad to think and believe that English cotton machinery is the best in the world, I don't think I should be prepared to make that statement. One must make use of inventions in other countries.

President.—In other words you say that you have to import a certain amount, but nothing comparable to what your friends in this country have to.

Mr. Dutton.—I signed a cheque for £6,000 on the day I left.

Mr. Rahimtoola.—I would like to know what is the proportion of the foreign machinery you import.

Mr. Dutton.—It would be impossible to say. It is only in exceptional cases that foreign machinery is used.

President.—One of the extra costs which the Bombay people have to incur is in connection with fumigation. Do you have to incur it?

Mr. Dutton.—I rather thought that it was so infinitesimal a charge that it ought not to be taken into consideration.

President.—Is there any other point you want to make in that connection?

Mr. Dutton.—No.

President.—There is one other point regarding annex No. 2. I don't want to go into the details of the different counts of yarn. I rather felt that we have dealt with it. The fact is that you have not been able to find an Indian yarn selling at 20 annas. That is meant to be the fair selling price of Indian yarn sold by a mill. The details have been given to us. We have not gone into that. What have you been able to find out?

Mr. Dutton.—The Harvey's Madura Mills 60s Egyptian yarn was on August 31st, 1935 in the bazaar 16 annas per lb. On December 5th, 1935 in the bazaar it was 15.75 annas and we understand the mill rate was 15.5 annas per lb.

Mr. Rahimtoola.—Those are the realised prices.

Mr. Dutton.—Bazaar prices.

President.—It is just possible that the mill is selling below cost in order to meet competition from abroad. I wish you could get us a few more cases—not like this but comparable cases as far as possible.

President.—There are one or two things we have to ask you about artificial silk.

Mr. Rahimtoola.—I would like to ask one more question with regard to yarn. You say that "the continued importation of yarns of the type supplied by the United Kingdom is desirable and that any weighting of the duty above strictly moderate levels will serve no good purpose whatsoever on a long view". Do you mean counts above 50s?

Mr. Campbell.—Yes.

Mr. Rahimtoola.—What about the reject yarns which are included in that? Would you be able to separate the two in some way or other?

Mr. Campbell.—I am afraid it is awfully difficult. We will try if you like.

Mr. Rahimtoola.—You are advocating this in the interests of the handloom industry?

Mr. Campbell.—Yes.

Mr. Rahimtoola.—Do the mills produce a certain quantity of this yarn?

Mr. Campbell.—Very little, I should say.

Mr. Rahimtoola.—But the question which I do not understand is this. You are not claiming it on the ground that India is not able to manufacture. If India can produce the necessary yarn, I do not know why it is desirable to import the United Kingdom yarn unless it has got some intrinsic value or something different or something better which India is not able to give to its buyers. I want to understand your point.

Mr. Campbell.—I do not think that India is manufacturing any reject yarns.

Mr. Rahimtoola.—I am talking of 50s and over. You generalise and then finish up your statement by saying that it is desirable to have your yarn admitted into the country in the interests of the Indian handloom industry and Indian consumers as a whole.

Mr. Streat.—We hope you will agree with us after looking into the question.

Mr. Rahimtoola.—It is a question which I would like you to prove before you can ask me to agree. You must prove that it is necessary in the interests of the consumer to reduce the duty. It may be a very good thing to import the United Kingdom yarn, but if it is coming into competition with the yarn already manufactured in the country it is quite a different thing.

Mr. Campbell.—We contend that India can produce that yarn without any protection, as far as we are concerned, and in a great number of other counts.

Mr. Rahimtoola.—That is beside the point if I may say so. You are appealing to the Indian industry and the Indian consumer. The Indian consumer is a different person from the industry which is seeking protection. As regards the question about artificial silk fabrics, based on the large importation of artificial silk yarn, I wonder whether your attention has been drawn to the fact that 85 per cent. of the yarn is used for the handloom industry. Your point of view, is that India is faced with the competition from Japan and that your prices are high as compared with the products of Indian mills.

Mr. Campbell.—The whole of the artificial silk trade is completely dominated by the imports from Japan. That really underlies our complete statement here.

Mr. Rahimtoola.—We are asked to consider the duty on artificial silk fabrics and mixtures.

Mr. Campbell.—Yes.

Mr. Rahimtoola.—India is also producing at present some goods of that description. In fact, I find that you have given us one Indian sample about which I discussed with you yesterday, you have not given us the trade mark or the mill manufacturing it, and I have asked you to get us those details. You have taken the duty paid price of Lancashire goods there.

Mr. Campbell.—It is impossible for us to compete in artificial silk either with Japan or with India owing to the fact that we cannot get the same yarn at the same price as that at which India can buy.

Mr. Rahimtoola.—In India it is a very heavy duty.

Mr. Campbell.—We have to pay a still heavier duty in the United Kingdom if we are to import it either from the Continent or from Japan.

Mr. Rahimtoola.—What about the question of staple fibre which has got a very great bearing on this question? I wonder whether your attention has been drawn to an article which appeared in the "Capital" of December 5th.

Mr. Campbell.—As far as staple fibre in the United Kingdom is concerned, it is still in its infancy. We all appreciate that Japan is making very great progress. The question will obviously have to be dealt with by the Government of India next year when they come to make a new agreement with Japan. But as far as our own industry is concerned, it is still in its infancy.

President.—Here is much later and more up-to-date information in the "Statist" (handed to Mr. Rahimtoola).

Mr. Rahimtoola.—I have seen samples of staple fibre goods produced in India. One mill is actually producing it.

President.—Up-to-date figures are contained in that issue.

Mr. Rahimtoola.—The world production of staple fibre is given in thousands of lbs. The United Kingdom share in 1935 does not bear out the contention that it is in the infant stage in the sense in which it is understood in the trade. Even in India, I have seen actual samples sent to us. It is really a question whether it will not affect the cotton industry as well as the other industries.

Mr. Campbell.—The only reference made by the Millowners in their evidence was in favour of the removal of the duty on staple fibre as a raw material which of course has not got anything to do with us.

Mr. Rahimtoola.—I am discussing with you the question as to how it will affect the Cotton industry when the duty on artificial silk is reduced.

Mr. Campbell.—As the Indian industry will be able to buy staple fibre at very much less price than we should be able to buy it in the United Kingdom, they would have an advantage.

Mr. Rahimtoola.—Would you rather recommend that the duty of 3 annas per lb. on staple fibre should be abolished?

Mr. Campbell.—I do not know about that.

President.—The point is partly this. You deal here generally with the artificial silk. There is a staple fibre developing and the point was made somewhere that to the extent to which the excise duty which was in force at home on staple fibre was removed or reduced, your costs would become lower. I have also seen a reference to the effect that while there is an excise duty in the United Kingdom there is also an export drawback. So, when you say that the excise duty has been taken off, it does not alter the position in regard to the competition in this country, for the drawback is also taken off.

Mr. Campbell.—Taking the excise and drawback into account, the staple fibre in the United Kingdom is still sold at double the price or more than double the price of staple fibre in this country.

President.—It is only mentioned as an additional factor.

Mr. Rahimtoola.—I would like you to refer to your reply to the Mill-owners' case. It is stated there "It is true that small increase occurred in exports between 2nd July and 1st December, 1934, when the trade had a quite temporary and accidental bonus of moderate dimensions" What exactly is meant by that?

Mr. Campbell.—What happened was this. There was a period of 5 months when the excise duty was reduced from 1 shilling to 6 pence and the drawback remained at 1s. 9d. Owing to that extra amount of drawback, it enabled the trade to do a certain amount of business. That was the sole reason for the increase in the import figures.

Mr. Rahimtoola.—Has that position changed?

Mr. Campbell.—The excise is 6d. and the drawback is 1s., so that we are 9 pence worse off than we were at that period.

Mr. Street.—Instead of calling upon the exporters to prove that the exported article had paid duty at the higher rate, an estimate was made of the stocks in the country and the period of time it would take with the higher duty for the stock to be disposed of and there was thus a little latitude given to the trade by the Treasury.

Mr. Rahimtoola.—Still there is a slight advantage.

Mr. Street.—No, it was gone by the end of December.

Mr. Rahimtoola.—Is there no advantage at all at present?

Mr. Street.—No. It vanished on the date on which the higher rebate was taken off. It only lasted a couple of months.

President.—You say here from 'July to December'.

Mr. Campbell.—Yes.

Mr. Rahimtoola.—You have calculated the price here as 5s. 3½d. c.i.f.c.i. and you say that it works out to 8 annas per yard wholesale price. That means that you have included the duty and other charges.

Mr. Hopkinson.—That is the wholesale price in the bazaar given to us by the importer who is selling the goods.

Mr. Rahimtoola.—He has not told you as to how he arrived at 8 annas? The price of 8 annas 6 pies also is shown.

Mr. Hopkinson.—We have 2 prices at which business was done. In the one case the bazaar price was 8 annas and in the other (that is, to-day's conditions) it was 8 annas 6 pies.

Mr. Rahimtoola.—The present price is 8 annas 6 pies.

Mr. Hopkinson.—Yes. I have got documentary evidence if you want.

Mr. Rahimtoola.—You have worked out the duty. Unless we get the details about the name of the mill, number of the quality, etc., we won't be able to work it ourselves.

Mr. Campbell.—Quite.

Mr. Mudaliar.—Have you any idea of what quantity of pure artificial silk is produced by the Indian mills?

Mr. Campbell.—You mean artificial silk fabric.

Mr. Mudaliar.—100 per cent. artificial silk.

Mr. Hopkinson.—Our information is that there is not much 100 per cent. fabric produced by the power looms. But we believe there is 100 per cent. fabric produced by handlooms in some quantities. We have no data on which we could get actual figures.

Mr. Mudaliar.—Have you any idea as to how much is produced by the power looms of mixtures where more than 50 per cent. content is of silk?

Mr. Hopkinson.—These can only be assumptions, and as assumptions they are subject to challenge by anybody. Such information as we have may clash with the information that others get. Therefore although we may be able to give some figures, we cannot vouch for their reliability or accuracy.

Mr. Mudaliar.—I want the amount of production by power looms of mixtures whose silk content is more than 50 per cent.

Mr. Hopkinson.—I have no figure in detail that would enable me to quote anything accurate. I should be pretending to possess information that I don't.

President.—We will ask the mills.

Mr. Hopkinson.—You have access there which we have not.

Mr. Mudaliar.—So far as pure 100 per cent. artificial silk is concerned, in your Table 6 you have included artificial silk and cotton mixtures up to 1930-31 and after that year you have separated mixtures. I take it the first column relates to pure artificial silk goods where there is no mixture of cotton at all.

Mr. Campbell.—Yes.

Mr. Mudaliar.—From 1931-32 the figures relate to cent per cent. artificial silk goods?

Mr. Campbell.—Yes.

Mr. Mudaliar.—Your imports are 410, 430, 431 and 465 as against Japanese imports of 73, 111, 39 and 66 thousand yards. So that your real case is that you want some sort of equation between Japanese prices and your prices?

Mr. Campbell.—We should like to see the Japanese position dealt with more or less on the lines of the joint representation we made in 1932-33.

Mr. Mudaliar.—From the point of view of the consumer of cotton goods, and that to a certain extent, the millowners may agree with me that the more the import of this artificial silk goods goes up the more will it affect the consumption of Indian goods.

Mr. Campbell.—We should like to see the duties on artificial silk removed as we feel that it will in no way interfere with their cotton goods production and it might enable us to get some trade from the Japanese.

Mr. Mudaliar.—In these mixture piecegoods as a matter of fact your production has gone up, the imports have gone up?

Mr. Campbell.—It was only because, as I told Mr. Rahimtoola, for a period of five months we had extra drawbacks in 1934-35 but the imports for the first six months of this year are considerably down again.

Mr. Mudaliar.—Have you produced samples of comparable goods in reference to this?

Mr. Hopkinson.—Yes.

Mr. Rahimtoola.—You have given only one Indian, one Japanese and one English.

Mr. Hopkinson.—Yes. The difficulty is that the figures to-day include every type of artificial silk that Britain produces whether it is prints, yarn dyed, or piece dyed. Whatever form it is coming in everything is covered in this and the difficulty is in finding the British stuff in any volume in the bazaar. For any major line we cannot trace them. For instance a case is being quoted where there was the question of 8 annas and 8 annas 6 pies and that line has been dead since November 1934. It is no longer in the market. If we want to find more comparison we shall have to dig into dead trade.

President.—Here you will agree with your Indian friends that it is the Japanese competition that you are both up against. Under the head "Artificial silk fabrics and mixtures" you make the remarks that "the Government of India did not see fit to impose on foreign artificial silk goods the alternative specific duties recommended by the Clare Lees Commission, 1933". The Government of India have not imposed specific duties in this particular section of the trade and yet your general argument is that you do not want specific duties?

Mr. Hopkinson.—I am sorry I did not make it clear that the specific duties are imposed to deal with abnormal circumstances, either depreciated

exchange or abnormally low prices and so on. We maintain that there is no abnormality about our trade at all and therefore the *ad valorem* duty is the one that should be imposed.

Mr. Rahimtoola.—Supposing duty is put not only on account of depreciated exchange and fall in prices but to give the minimum protection to the industry: that is why Mr. Mudaliar is putting to you that if you make the two equal that need not be put on account of these factors, but that is the best form of protecting the industry.

Mr. Campbell.—I am afraid we do not agree with that. Our view is that specific duties are imposed in 99 cases out of 100 with a view to prohibiting goods coming in. There is no question of equation of prices.

Mr. Mudaliar.—You have told us that there is a good deal of difficulty about the comparability of cotton cloth. How would you compare the two specimens of artificial silk mixtures? In addition to the complication of reed and pick in cotton you have got to find the exact amount of mixture which has gone into the fabric. How would you compare the United Kingdom artificial silk mixtures and Indian mixtures and equate prices?

Mr. Campbell.—All we can do is to get as near as possible. It is possible to calculate each one separately and to have an estimate of the reed and pick in the yarn. The proportion of silk yarn and artificial silk can be determined exactly.

Mr. Rahimtoola.—Just one more question with regard to the supplementary statement in which you have selected 5 or 6 samples and say 'comparable'. Have you given any consideration to the other samples? When you gave me six samples you drew my attention to the figures and samples given by the Millowners which I discussed with you in detail. I only want to know from you, without going into figures and prices, whether the comparisons given by the Ahmedabad and Bombay Millowners, of which samples were supplied to your Delegation have been considered by you.

Mr. Campbell.—We will give you an answer to that later on.

President.—Gentlemen, I would like to thank you very much for the frank way in which you have given evidence. There just remains the range of samples: go through them and tell us about the comparability as far as possible. Perhaps you may call and I may have an opportunity of meeting you here sometime next week.

Mr. Campbell.—I thank you and the Board very much for the consideration you have shown to us.

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SOUTHERN INDIA MILLOWNERS' ASSOCIATION.

Evidence of Messrs. J. M. DOAK, Dewan Bahadur C. S. RATNA-SABAPATHY MUDALIAR, Mr. R. VENKATASWAMY NAIDU and Mr. G. N. SIRUR recorded at Bombay on Saturday, the 14th December, 1935.

President.—Gentlemen, from the representation that you originally sent, I find that you represent the Cotton Spinning Industry.

Mr. Doak.—Generally speaking yes.

President.—How many purely cotton spinning mills are there outside this representation?

Mr. Doak.—I think you will get that information from our representation. I understand that of the 36 several have since taken to weaving and so they are no longer purely spinning mills.

President.—Speaking generally, you represent the spinning industry as spinning industry apart from spinning and weaving industry?

Mr. Doak.—Yes.

President.—Which of the mills do you represent here?

Mr. Doak.—I represent the Madura Mills Company, Limited and generally speaking the mills mentioned in the representation. Dewan Bahadur C. S. Ratnasabapathy Mudaliar and Mr. R. Venkataswami Naidu represent the Coimbatore interests which are large. Mr. G. N. Sirur represents Bombay and Mysore.

President.—Curiously enough it is nearly all South India. That is because purely spinning mills are situated there.

Mr. Doak.—Yes.

President.—You were good enough to give us a very interesting statement of your case and we have had the opportunity of hearing you informally during our Madras visit. In addition to that we have handed to you the cases of the Lancashire Delegation, Madras, Calcutta and Bombay Chambers of Commerce. You have had an opportunity of considering these cases and have given special notes.

Mr. Doak.—Yes.

President.—Do you wish to modify or alter your original cases in any way as a result of your having seen other people's cases?

Mr. Doak.—Only in small details do we wish to modify our original case.

President.—We would like to hear what you have got to say generally.

Mr. Doak.—We appreciate this opportunity of appearing before the Special Tariff Board, as members of the spinning Industry feel that they have a definite grievance. In recent years we have had to face the full force of the world depression and at the same time were subject to unrestricted external competition. Government recognised the necessity for protecting the cloth industry but did nothing for the spinners, in fact they reduced the duties on cotton yarns last year quite unjustifiably. We realize the subject of Japanese and Chinese competition is outside the scope of the Tariff Board's enquiry but we would reiterate how necessary it is that something be done to protect spinners from the severe competition to which they are exposed from those countries. In the examination of the United Kingdom delegation, a considerable amount of time has been taken up in searching for means by which the fair selling prices of Indian cloths can be contrasted with the prices of comparable United Kingdom cloths. So far as yarn is concerned, there is little difficulty in finding comparable qualities, and we are quite satisfied to leave our case in the hands of the Board on this basis.

We recognize handloom weavers are an important interest to be considered but would point out that any undue weighting of the balance in their favour is apt to react on the handloom weavers themselves in the shape of spinning mills unable effectively to compete putting in power looms. We would suggest that in this enquiry, the Special Tariff Board arrive at the level of duties required against United Kingdom yarns by taking the fair selling price of Indian yarns, as already indicated, allowing for yarn whatever figure of return on capital is taken for cloth. In the report the Board could state what reduction in the duties so arrived at should be made by Government on behalf of the handloom weavers. This procedure would be consistent with the view that the Tariff Board is a fact finding body.

President.—That is a very constructive suggestion you have put forward before us and I hope to have an opportunity of discussing this.

Mr. Rahimtoola.—Mr. Doak, I find from the representations sent by you that you have divided them into practically three parts. In the first place, you have told us about the injustice done to you. Secondly you have informed us the present condition in which the pure spinning industry is and thirdly your proposals with regard to the duties you require for the United Kingdom yarns coming into India. Your case, as I understand, is specially given in the oral statement and that is that we should treat you as a separate industry?

Mr. Doak.—Yes.

Mr. Rahimtoola.—And that we should give you all the overhead charges that are at present calculated for the weaving industry?

Mr. Doak.—Yes.

Mr. Rahimtoola.—Namely the interest on working capital, depreciation, profit on block capital and the Managing Agency Commission?

Mr. Doak.—Yes. If I may explain, the idea contained in the suggestion put forward is this. For example you take 8 per cent. in the case of cloth. You adopt that figure also in the case of yarn and thereby arrive at the level of duties required for equating the selling prices. Suppose that results in 2 annas per lb., then in the Tariff Board Report, state that figure as being the duty found necessary on a 8 per cent. basis, but in your further discussion of the handloom industry it would be possible for the Board to recommend to Government that while the duties have been found to be justified at, let us say, 2 annas, 25 or 30 per cent. or whatever percentage is justified in the opinion of the Board should be deducted in the interests of the handloom weavers.

Mr. Rahimtoola.—That means you give part of the duty to handloom weavers.

Mr. Doak.—Yes.

Mr. Rahimtoola.—Duty realised on cotton piecegoods.

Mr. Doak.—I am not suggesting anything actually to the handloom weavers. Supposing on a 8 per cent. basis you found that a duty of 2 annas was justified and you stated that in the Tariff Board's report. We said that instead of Government levying a duty of 2 annas, they might reduce that to say 1 anna 6 pies or 1 anna 9 pies in order to give relief to the handloom weavers.

Mr. Rahimtoola.—You are talking of what has happened in the past.

Mr. Doak.—I am talking of what I am hopeful in the future as a result of this enquiry.

Mr. Rahimtoola.—I understand one of your recommendations to be this. If after taking all the overhead charges and arriving at the fair selling price and equating it with the present imported price of yarns of United Kingdom coming into India, we find that the level of duty required for protection is 2 annas, then instead of saying that 2 annas duty should be levied, we should levy 1 anna 6 pies.

Mr. Doak.—I suggest that you indicate in the report the figure of 2 annas. Thereafter in discussing the condition of the handloom weavers you must make up your mind as to what figure you should recommend to Government and state also in the report that the duty of 2 annas which you are recommending should be reduced by 25 per cent. or whatever the Board may decide.

Mr. Rahimtoola.—How can we do it? That means we are giving you less protection than you deserve.

Mr. Doak.—Yes.

Mr. Rahimtoola.—What figure would you put before the Board in order to make an allowance for the interests of the handloom weaver?

Mr. Doak.—The case for yarn has been so complicated in the past by the interests of the handloom weavers that frankly we spinners have not known where we stood. On the one hand we were told that the duties in force were fair duties and the indication seemed to be that they had been calculated on an 8 per cent. return on capital. We knew from the actual level of duties, that that could not possibly be the case. We would rather prefer to see what the actual duty should be and what was actually decided to give us, so that thereafter we should make up our minds as to whether it was worthwhile continuing purely to spin or whether we had better give up the struggle and get on with putting in looms.

Mr. Rahimtoola.—I understand your point. I shall put it in a different manner. I think you are alluding to what has happened in the past with regard to the interest of the spinning industry. Your point of view is that the Tariff Board has not been able to do justice to the Spinning industry on the ground that it would raise the price of the handloom products.

Mr. Doak.—Yes.

Mr. Rahimtoola.—That is exactly the point which I want to develop in this instance also, because we find great difficulty in arriving at the fair selling price. You must not forget that there exists a spinning and weaving industry in the country and if we give them more than the bare cost of manufacturing yarn in their mills, they would be competing with the handloom products. Do you follow my point? If I fix a fair selling price for the spinning industry, then the overheads which I am allowing for you will also automatically go to the weaving industry.

Mr. Doak.—Yes, I follow, but at the same time if they were going to market yarn, it would mean they would also have to incur for instance baling, reeling and bundling costs just as we have got to do and practically speaking we are not afraid of the internal competition. I don't see that it would harm the handloom weaver.

Mr. Rahimtoola.—That is not the point. The point is how much of the duty beyond bare costs will be utilised by the mills to compete with the handloom products. If I arrive at a fair selling price of the yarn, I have to calculate that price in arriving at a duty on piecegoods. How will you be able to separate the two and say that the cost which is allocated to the spinning and weaving industry will be quite separate from the cost of the spinning industry? Leaving aside the overheads, will you be able to say what exactly will be the cost of manufacturing yarn in the spinning and weaving industry as distinct from the spinning industry?

President.—May I suggest Mr. Rahimtoola, that to start off we should ask them as spinners how they would proceed to equate their fair selling prices with the prices of imported yarn.

Mr. Rahimtoola.—I am on that.

President.—Even on that point, this question of putting on 2 annas to start off and reducing it to 1 anna 6 pies or some other arbitrary figure, I would like you if it is possible to remember that you are spinning mills and that you want more adequate protection than you have got at present. I realise that in the past according to your statement of the case full account has not been taken of the fact that you have to bundle and

so on and get rid of the yarn all over the country. For the moment forget all that. We will deal with you as a spinning section seeking protection against imported yarn from the United Kingdom and if we were to do that in the next stage, we will probably get on, if you can give us any information as to the difference between you as a spinning mill and a spinning and weaving mill which sells surplus yarn and then the effect on the handloom weaver. You are a spinning industry and you have a grievance that you are not adequately protected. You just put forward your statement of the case. Overlook all about the handloom industry unless we remind you about the existence of it and then overlook also the fact that you are competing with the spinning and weaving mills.

Mr. Rahimtoola.—It will be necessary to find out the extent of the competition with regard to the actual position of counts below 50s and counts above 50s. If you will look at the table on page 23, you will be able to find out the extent of shifting that is done by you from the coarse to the finer counts. Will you please tell me exactly in what counts you find the competition from United Kingdom goods? If you will look at your figures you will find that from 1 to 30s the production has gone down since 1932-33, so also from 30s and above and especially in 31s to 40s there is an increase of 24 per cent. What was the reason of this shifting?

Mr. Doak.—This is a case where it is rather difficult to say that party A was against party B or *vice versa*. In 1932-33 we had floods of 31s to 40s coming into India from China and Japan and strangely, as it may seem, we had to go on to these counts in order to minimise our losses in this way. With these cheap 31s to 40s coming in, prices began to drop of counts below 31s to 40s, particularly 20s which affected every spinning mill in the south, particularly Coimbatore and ourselves. The result was that we were definitely showing a loss on every lb. of 20s produced and it paid us to go on to 40s. Even though there was a loss on 40s, I don't say there was a loss on 40s, when it came to a loss on 20s, it paid all of us to change to the higher counts and in the process there being less 20s put on the market, it also served to improve the price of 20s.

Mr. Rahimtoola.—In 1932-33 there was Japanese competition.

Mr. Doak.—Yes and of course United Kingdom yarn continued to come in.

Mr. Rahimtoola.—What were the particular counts in which you found competition from the United Kingdom yarns severe? We have got to deal only with United Kingdom yarn and I would like you to confine your remarks to this aspect of the question.

Mr. Doak.—It is a very difficult thing to say. I have supplied the Board with some original statements.

Mr. Mudaliar.—What is the difficulty? You have given the imports of counts of yarn from different countries.

Mr. Doak.—I have something to say on this point. It has a bearing on this. It was pointed out that the balance of yarn available for sale was 330 million lbs. So far as Coimbatore and our own mills in the south are concerned, we are interested in counts 20s and upwards. Our cotton is too good for 10s 12s. That does mean it is only that part of the 330 million lbs. which we are competing for and with which we are interested. According to Directors of Industries and all the sources of information which you would have seen, the handloom weaver in this country consumes a fair amount of yarn say counts below 12s, below 16s and below 20s—probably 40 to 50 per cent. of the total.

President.—When you say that, can you give us references to show that the handloom weaver is working on those counts?

Mr. Doak.—I will put in a complete statement later, if I may, based on the Directors of Industries' own figures for each province.

President.—Thank you very much.

Mr. Doak.—But if I might state just tentatively, it means that it is considerably under 200 million lbs. which we have to share with our friends from Lancashire, Japan and China and the Indian spinning and weaving mills, so that I may say that everything which comes into the country and which is from 21s to 30s and upwards certainly competes with the South Indian spinners.

Mr. Rahimtoola.—In 1932-33 in the report of the Tariff Board it is stated that practically 80 per cent. of the yarn used by the handloom industry is 20s and below.

Mr. Doak.—That is an overstatement.

Mr. Rahimtoola.—What percentage would you consider to be reasonable?

Mr. Doak.—50 to 60 per cent.

Mr. Rahimtoola.—You mean to-day?

Mr. Doak.—Yes.

Mr. Rahimtoola.—I would like to see the figures. My information is otherwise and was substantiated in the discussion which we had with the Director of Industries when the Board was in Madras.

Mr. Doak.—We will give you figures.

Mr. Rahimtoola.—Now you can proceed with your remarks about yarn.

Mr. Doak.—In that limited market, anything which comes in of counts over 20s may be said to compete directly with the South Indian spinners. For instance, in 31s to 40s, the United Kingdom is still sending a fair quantity of yarn. Single grey and single coloured all compete with our grey yarn. There is a large dyeing industry in most of the towns in South India.

Mr. Rahimtoola.—You have given a long list of counts of yarn that are imported into this country. Do I understand that in all these yarns there is competition from the United Kingdom?

Mr. Doak.—Yes.

Mr. Rahimtoola.—All these yarns are produced by you?

Mr. Doak.—31s to 40s certainly; 41s to 50s partly.

Mr. Rahimtoola.—The first heading is single grey and the next heading is single coloured.

Mr. Doak.—In the matter of bleached yarn, we cannot compete with the bazar bleacher. If we had our own bleaching plant, it would not pay us.

Mr. Rahimtoola.—You are not manufacturing them to-day?

Mr. Doak.—We are manufacturing yarn which goes to the hand bleachers in the bazar, just as we are manufacturing grey yarn which goes to the dyeing factories in the bazar. Had we our own plant, we would not be able to compete with those dyeing and bleaching factories.

Mr. Rahimtoola.—After the yarn is bleached, it comes back to you for sale. Is that the case?

Mr. Doak.—Generally speaking we sell it in the grey state and in certain special cases where we are asked by our customers, we get it bleached.

Mr. Rahimtoola.—You are not in a position to say exactly what the extent of the competition is from the United Kingdom in respect of grey, coloured, artificial silk, unspecified yarns and sewing thread and darning thread?

Mr. Doak.—If you take 51s to 60s and some counts over 60s used for lungis, most of these cloths are dyed.

Mr. Rahimtoola.—I want to divide the yarn into two parts, if I can, as to see what is actually competing and what is not competing. If it is not competing and if it is used by the handloom industry, then the Board might consider the question of reduction of duty on another ground. I want to get a clear idea of the extent of competition with regard to the

United Kingdom yarns. Would you be satisfied if instead of saying 50s and below we recommended 60s and below?

Mr. Doak.—I would not be satisfied.

Mr. Rahimtoola.—That is the point I want to understand. Your point is that the specific duty should not only be applicable to counts 50s and below but also to counts above 50s.

Mr. Doak.—Yes.

Mr. Rahimtoola.—The point that you are making is that the duty required to equate prices would work out to 2 annas per lb. on all counts.

Mr. Doak.—Not quite.

Mr. Rahimtoola.—How much does it come to?

Mr. Doak.—2·1 annas.

Mr. Rahimtoola.—Then you want a uniform duty whether the count is above or below 50s.

Mr. Doak.—Yes.

Mr. Rahimtoola.—How do you compare the quality of the United Kingdom yarn and the Indian yarn?

Mr. Doak.—When it is for any particular purpose I should say the quality of the Indian yarn would be equal to the quality of the Lancashire yarn. For instance, if it is a hosiery yarn and if a certain twist is required, then the Indian yarn will be given that twist and the Lancashire yarn will also have the same twist. There will be very little difference in their respective qualities.

Mr. Rahimtoola.—This morning you have heard about the reject yarn. Have you noticed the importations of this yarn into India?

Mr. Doak.—We learnt of them from our agents in Calcutta. There seems to be a large business in reject yarn.

Mr. Rahimtoola.—Are they competing with the yarns produced by you?

Mr. Doak.—They are competing in the sense that they help to keep down prices. But speaking for ourselves we have not sent any 60s to the Calcutta market.

Mr. Rahimtoola.—The reject yarns are over 50s?

Mr. Doak.—Yes.

Mr. Rahimtoola.—I understand that you are representing the whole industry?

Mr. Doak.—Yes.

President.—In this matter are you talking of Madura only or for all?

Mr. Doak.—I know that Coimbatore does not send 60s to Calcutta.

Mr. Rahimtoola.—In order to remove any ambiguity, whenever you speak for yourself, you should specially mention that. In the absence of that statement, may I take it that you are speaking for all those who are present along with you?

Mr. Doak.—Yes.

Mr. Rahimtoola.—In the duty that you have asked for, namely 2·1 annas, have you taken into consideration the fair selling price of your spinning industry?

Mr. Doak.—Yes.

Mr. Rahimtoola.—It is only after that you have arrived at the duty?

Mr. Doak.—Yes.

Mr. Rahimtoola.—It has not been arrived at in relation to the raw cotton duty?

Mr. Doak.—No.

Mr. Rahimtoola.—I take it that you have considered the question of equating of your fair selling price to the imported price in arriving at this specific duty which you are recommending for the Board's consideration?

Mr. Doak.—I may say that I have given the fair selling prices of Indian yarns compared with the wholesale prices of Lancashire yarns, as far as possible taking identical yarns in all cases.

Mr. Rahimtoola.—And this is the average duty that you have taken?

Mr. Doak.—That is somewhat lower than the duties that would be required on the higher counts.

Mr. Rahimtoola.—How did you arrive at the average? Have you taken 50s separately or what?

Mr. Doak.—50s and 60s and then 70s to 80s.

Mr. Rahimtoola.—Then this is the average that you have arrived on the basis mentioned by you?

Mr. Doak.—You might say that it is an average; you might also say that it is a figure taken by reference to our feelings regarding our needs. It may sound peculiar to the Tariff Board, but in Southern India we have a very wholesome fear of any further expansion in the South because we have been subject to internal competition already, and we don't wish to see too high a duty in operation; otherwise we fear still greater internal competition.

Mr. Rahimtoola.—That means, as I understand it, this duty is not arrived at by equating the fair selling price to the imported price; it is something less.

Mr. Doak.—To a certain extent less.

Mr. Rahimtoola.—You have taken something less in view of the internal competition?

Mr. Doak.—Yes.

Mr. Mudaliar.—Let us look at this question of yarns in two stages: counts 50s and below and counts above 50s, which is the classification which the Government have fixed. Let us come to the question whether the classification should be continued or whether there should be no classification. In counts 50s and below 50s, according to the table that you have given on page 27 of your representations, the United Kingdom competition, taking single grey and single coloured in the year 1934, for instance, is comparatively very small, compared with the amount of yarn that is available for the handloom weaver and the reject yarn that is turned into cloth in weaving mills. In 1-10s, there is no import from the United Kingdom. In 11-20s there is very little again. Can you tell us the yarn production in South India from 1-20s?

Mr. Doak.—When we say 1-20s, you can take it, so far as the Madura Mills are concerned, that it is almost entirely 20s.

President.—You said a moment ago that it was above 20s that you were really interested in.

Mr. Doak.—20s and above.

* *President.*—The figures given here show that you are materially interested in below 20s.

Mr. Doak.—We are materially interested in below 20s, so far as the Madura Mills are concerned, in hosiery yarn.

Mr. Rahimtoola.—That is contained in your representation.

Mr. Doak.—Yes.

Mr. Mudaliar.—If your figures are a reflection of the general conditions in 20s to 30s, you produce an equally large amount as in 20s.

Mr. Doak.—Almost.

Mr. Mudaliar.—Turning to your representation you will find that there again it is the Japanese competition that is mainly affecting you.

Mr. Doak.—Yes, we quite admit that.

Mr. Mudaliar.—And also in 30s to 40s.

Mr. Doak.—Yes.

Mr. Mudaliar.—So that, generally speaking, in below 50s competition from the United Kingdom is not much. As against your production of 42 to 43 million lbs. in your own mills, the total import is not more than 1 to 2 million lbs. Therefore the percentage of imports from the United Kingdom in 50s and below to the total yarn available to the handloom weaver is very small.

Mr. Doak.—It is comparatively small.

Mr. Mudaliar.—When I say 'very small', it is somewhere about 2 per cent.?

Mr. Doak.—Yes.

Mr. Mudaliar.—Would you put the consumption at 100 million lbs. or more than that?

Mr. Doak.—Much more than that. I would say that so far as I understand the United Kingdom imports up to 40s, they are not for the handloom weavers. They compete against Japan and China. They are sending to weaving mills which we submit affects our business, as we might be supplying these weaving mills if Lancashire were not.

Mr. Mudaliar.—Whether they send it to weaving mills or the handloom weavers, the total quantity is very small in 50s and below.

Mr. Doak.—Yes.

Mr. Mudaliar.—Then we come to counts above 50s. From purely Indian cotton, up to what count could you spin?

Mr. Doak.—We do spin up to 44s.

Dewan Bahadur.—The same is true of Coimbatore.

Mr. Sirur.—We do up to 40s.

Mr. Mudaliar.—What would you call a very handsome margin which would prevent the imported counts of yarn from competing with the counts of yarn which could be made purely from Indian cotton?

Mr. Doak.—I take it that you wish me to answer the question without committing myself to any definite figure, or to the principle of a dividing line.

Mr. Mudaliar.—You can enter any caveat you like.

Mr. Doak.—From the point of view of 44s, say 16s to 20s.

President.—Do you mean that if a handloom weaver ordinarily wants 44s and buys it from you, you want to be protected against his buying 50s, 55s or 60s imported?

Mr. Doak.—Yes.

President.—It is a very big range.

Mr. Doak.—The lower 60s would affect the 50s; the lower 50s would affect the 40s and so on down the range.

President.—What would you call it?

Mr. Doak.—I have used the words "substitution of counts".

Mr. Mudaliar.—You have given us in the earlier portion of your memorandum the proportionate cost, the raw material and manufacturing cost, to which I referred this morning. Supposing you took cotton imported (Egyptian) and you took 70s or 80s counts, without going into detailed costings could you suggest a formula as between the raw material cost and the manufacturing cost?

Mr. Doak.—I can only give it for yarn. I find with our standard 60s yarn it is roughly 50-50.

Mr. Mudaliar.—Mr. Ratnasabhapathi Mudaliar, do you use any imported cotton at all?

Mr. Ratnasabhapathi Mudaliar.—We don't.

Mr. Mudaliar.—And you Mr. Naidu?

Mr. Naidu.—Only for experimental purpose we brought out some.

Mr. Sirur.—Only for the last year or so we have been using foreign cotton.

Mr. Mudaliar.—What counts did you spin?

Mr. Sirur.—We made from 40s to 50s.

Mr. Mudaliar.—If it is 50-50 you of course include overhead charges also?

Mr. Doak.—Yes.

Mr. Mudaliar.—If you eliminate that what would be put as manufacturing charges?

Mr. Doak.—I am afraid I could not give it to you off-hand; I shall send you the information later on.

Mr. Mudaliar.—What I am asking is really this: in the case of imported cotton to what extent does the country benefit by spinning it in this country? The whole of the raw product is paid for and it goes outside the country, then it reduces itself to the manufacturing cost. In the manufacturing cost you have to take away things like depreciation because that is not a benefit to the country. You have to import machinery and on that you have to pay depreciation, and I want to know the margin which can really go to benefit the country in spinning yarns from imported cotton. We are told that the textile industry is a protected industry. When you go to different ranges of production and you use, for instance, imported raw material, *prima facie* it looks as if it is against the fundamental condition of the recommendations of the Fiscal Commission because raw materials should be available in this country. When it comes from outside I want to understand the benefit the country receives by spinning yarn from that raw material. I will put that question to the millowners. Confining myself to yarn the raw material cost is something which goes out of the country: in manufacturing cost you have labour charges, you have overhead including depreciation and things like that. In the overhead again, you have to subdivide it to see what proportion goes out of the country and what proportion goes to benefit the country. I consider that depreciation and things of that sort do not go to the benefit of the country; it goes outside. Taking all these facts I want to find out the percentage of the total cost of highly spun yarn out of imported cotton which goes to the benefit of the country.

Mr. Doak.—I will put in a statement. I would also like to put another aspect of the question for the consideration of the Board. As you know, the industry has grown in India in recent years and if the industry were not allowed to develop in this natural direction of using imported cotton and going on to higher counts there will be some loss to the country in the losses sustained in such parts of the industry as have to go on on uneconomic lines.

Mr. Mudaliar.—There is no question of preventing the industry from going in for finer counts: the question is whether in going to finer counts you ought to be protected. There is no embargo on imported cotton, no embargo on machinery to go in for finer counts of yarn: nobody is going to hamper your trade. The point at issue is whether in going over to finer counts of yarn or to the production of finer cloth you are justified in seeking protection, or whether the view can legitimately be taken that protection should be given to the full to the basic production of your industry, that which you can produce out of your own raw material in this country and with the help of that protection on that basic production you can advance to higher counts or higher quality of cloth always having narrower margins of profit or even, when you are expanding, at the initial stage, selling at a loss, recouping the loss from the counts that you make from what I call the basic production.

Mr. Doak.—If you recommended the removal of the disabilities such as the half anna per lb. duty on imported raw cotton—it can be removed so far as the higher counts are concerned—then it would be rather a different matter.

Mr. Mudaliar.—You are speaking purely as a spinner?

Mr. Doak.—Yes.

Mr. Mudaliar.—If the half anna on the raw cotton is removed would you expect a free import of higher counts of yarn?

Mr. Doak.—We have stated that in our representation.

Mr. Mudaliar.—Would the two things equate?

Mr. Doak.—No.

Mr. Mudaliar.—Even the 5 per cent. on higher counts is greater than the handicap which you have by the half anna duty on raw cotton, is it not?

Mr. Doak.—I am sorry I don't quite follow.

Mr. Mudaliar.—5 per cent. duty on higher counts of yarn is in value greater than the half anna duty on imported raw cotton?

Mr. Doak.—In most of the counts.

Mr. Sirur.—In principle this half anna duty on the raw material imported into the country is not fair.

President.—Speaking as a spinner you say it is not fair?

Mr. Mudaliar.—In your memorandum you suggest the remedial measures required. I can understand your suggesting with reference to finer counts of yarn that now that you have to pay half an anna on your raw material your prices will automatically go up, but will you explain how it affects the prices of yarn produced from indigenous cotton? Do you suggest that the price of indigenous cotton goes up because of the half anna duty?

Mr. Doak.—Yes.

Mr. Mudaliar.—How much cotton is produced in this country?

Mr. Doak.—Five to 6 million bales.

Mr. Mudaliar.—The quantity of cotton that is coming into this country is somewhere about 300 to 400 thousand bales?

Mr. Doak.—Yes.

Mr. Mudaliar.—Do you suggest that the price of 6 million bales is affected by the 300 to 400 thousand bales coming into this country?

Mr. Doak.—It is not affecting the price of the Indian production but there is the possibility that it may come in and when I say that it has affected the price of Indian cotton I am speaking of the longer staple varieties; particularly in Southern India Cambodia cotton and Karangunny cotton have both been affected; their prices have gone up as a result of the duty. It has resulted in the agriculturist getting a better price specially in Southern India since the duty was imposed.

Mr. Mudaliar.—Do you mean to say, therefore, the price has affected all the cotton in India?

Mr. Doak.—I am not an expert in the cotton line but I should think only the medium and long staple cottons have been affected.

Mr. Mudaliar.—My difficulty in following this is this: after all a good bulk of the quantity of cotton produced in this country has to be exported and if it is to be exported the price of the export cotton must have parity with the cotton elsewhere. If that is so the internal price cannot be far away from that of the export cotton. It might affect a small quantity of particular kinds of cotton. The duty was put up to cover the long staple cotton but if we take the bulk of your production of 20s to 30s out of short staple cotton it would be difficult to justify a statement that the .5 anna duty has gone to raise the price and that should be added to counts below 50s.

Mr. R. Mudaliar.—The duty of half an anna on imported cotton has not only affected the price of Indian long staple cotton but also that of the short staple cotton. There has been a sympathetic rise.

Mr. Mudaliar.—Would you suggest that it has gone up by half an anna exactly?

Mr. Doak.—I should not say so.

Mr. Mudaliar.—But you say so in your memorandum?

Mr. Doak.—There are times when it may.

Mr. Mudaliar.—In your paragraph 56 you refer to the various facilities which are given by the Government of Madras. One is likely to misunderstand the paragraph and think that large loans at very low interest are given to the industry to build itself up. That is not what you are suggesting, are you? You say the growth of small units in districts served by hydro-electric power schemes, situated in cotton growing districts and near to consuming centres is due to the facilities given by the Government of Madras in the form of loans at low rates of interest which is a further incentive to put up new mills. What the Madras Government has done to dispose of its own hydro-electric energy which has been generated from the Pykara and Mettur schemes is to give in the initial stages certain facilities by way of loans to instal the necessary machinery and turn over from steam to electricity.

Mr. Doak.—In addition to that they are offering loans to mills.

Mr. Mudaliar.—All these loans refer to electric machinery.

Mr. Doak.—That is so.

Mr. Mudaliar.—They are concerned with the power that they give; they have no concern with your mills.

Mr. Doak.—That is quite a big thing. We have some mills with prime movers costing many lakhs of rupees. As a result of this loan policy these prime movers are being converted into electric motors and the mills thus save the initial outlay of a steam plant and a prime motor which is quite a consideration.

Mr. Mudaliar.—Am I to understand that the loan that the Government of Madras gives for working your power plant is to encourage people in Southern India to become spinners?

Mr. R. Mudaliar.—They help us in two ways. We get a loan from Government towards the cost of electric motors. In any mill where power is generated by oil engines, such mills have to meet the cost of oil engines, cost of constructing sheds for the oil engines. Here such cost is eliminated. Even in mills where they have got oil engines or steam engines or some other engine, they will have to have motors to derive power; that is a common factor whether the mill is worked by oil engine or electric power. In this case we save the cost of the engine and the shed and other things and in addition to that we have facilities for getting a loan at a cheap rate of interest towards the price of motors.

President.—You can't blame Government for introducing cheap electric power in the province and having introduced cheap electric power you cannot blame them for giving you facilities for using that power? I was just wondering to what extent the expansion of the cotton mill industry has been stimulated, as I say, or induced by this generous policy on the part of Government. One other point that you have raised is that you got special rates for power. How do they compare with the ordinary rates?

Mr. Doak.—It is generally a quarter to half a pie less.

Mr. R. Mudaliar.—Mr. Doak is producing his own power.

Mr. Mudaliar.—You pay back the loan on the instalment system. As far as that is concerned it is immaterial whether you get the loan from Government or from the debenture holders?

Mr. Doak.—To some extent you are saved the worry of raising the working capital.

President.—You have got several new mills opened in Madras. I realise of course that you have been taking advantage of these special facilities and you are taking advantage particularly of obtaining cheap machinery.

Mr. Doak.—Yes.

President.—That is another inducement. Would it be a reasonable thing for me to suggest—we have got to base our fair selling prices on costs eventually and it has been suggested to us that what we ought to do is to take an ideal mill, a spinning mill or a weaving mill, and say it costs so much to run and give a return on capital and meet interest charges and other things—Could you supply the Board with the latest figures of, say, three or four of your recently built mills?

Mr. R. Mudaliar.—We can furnish the balance sheet.

President.—You can tell us from technical knowledge and practical experience, not theoretical knowledge, what it actually cost you to build a spinning mill of so many spindles and to be producing at a certain cost. You have already been good enough to give us costs but we can check them up more effectively if you would be good enough to go a stage further and let us have details of what it costs you under these heads.

Mr. Doak.—Our latest mill is as old as 1930. The Coimbatore people can probably give you that for a spinning mill.

President.—You make a suggestion to us as to what ought to be added on.

Mr. Doak.—We will give you the ruling prices then and the ruling prices now.

Mr. R. Mudaliar.—May I make a statement? We see from the memorandum furnished by the Madras Chamber of Commerce that they instance the case of certain mills giving handsome dividends. I might say that in the case of those mills it was done by the share brokers with a view to pushing up the sales of shares. I may straightaway say that what they suggest there is quite incorrect.

President.—If they say that your mills in Southern India are making profits there may be various reasons for that: I won't be carried away by that. If you have any comments to make on the figures they have given, I should like to hear them.

Mr. R. Mudaliar.—The profit made by one of the mills, the Dhanalakshmi mill, relate to more than 18 months working. They did not declare any dividend at all but they carried forward their profits to next year and declared 7½ per cent. only for one year.

President.—These are the figures published in 1934-35. If you give us the balance sheets, we will be able to check it.

Mr. R. Mudaliar.—There is the Lakshmi Mills which declared a dividend of about 10 per cent. It was originally a ginning factory. Only in 1933 they turned to spinning by raising additional capital. The profit is mostly profit earned out of the ginning factory. That is shown as profit against the spinning mill declaring 12 per cent. in the first year.

President.—You find the same thing in other cases. In some cases investment have enabled them to declare dividend. I would like to ask you one question: What is your running time down there?

Mr. R. Mudaliar.—18 to 20 hours double shift. Some mills work 20 hours.

President.—Why do you do that?

Mr. R. Mudaliar.—If we don't do that, we may not be able to pay any dividend at all. In order just to reduce our overhead charges we are doing it. We are not providing depreciation for the double shift. We are providing depreciation for a single shift. What we gain by way of not providing for depreciation, we declare as dividends. That is a bad policy we do admit in the presence of the Bombay Millowners.

President.—Could you help us in this connection? If you are running a mill single shift, we know what the allowance for depreciation is, because it is agreed between the industry and the income-tax people and we will accept that. If you are running a mill double shift, have you any idea what the depreciation ought to be?

Mr. R. Mudaliar.—If it is double shift, treble the depreciation.

Mr. Mudaliar.—I was going to ask the Bombay Millowners' Association these questions, but I may as well put it now so that when they come, they may come more prepared. Some of the best authorities on textile machinery have given out that there is no further depreciation on a double shift than on a single shift. What counts with the textile machinery is the age of the machinery and not the hours of working to which the machinery is put or however continuous the working may be. That is an authoritative statement by an authority on Textile Mills.

Mr. R. Mudaliar.—For a man like me with some commonsense it doesn't appeal. Just take a motor car. We cannot say that the life of a motor car irrespective of the mileage it has run will depend upon the age of the motor. If a motor car runs all day and all night at the rate of 500 miles a day, the life of that motor can only be taken as two years, but if it runs 20 miles a day, then you may assess the life of a motor car as 10 years.

Mr. Mudaliar.—It is in applying the same analogy to this case that our limited knowledge comes in. What they suggest is in connection with heavy machinery like those in the Textile Mills, the analogy of life does not apply and in textile machinery particularly it is the age that counts and not the working of a single or double shift. The matter did not end there. In 1931 the Indian Merchants Chamber raised this question with reference to the income-tax payments and the income-tax people made a reference to the Central Board of Revenue and asked whether in their income-tax returns they are to make a special reduction for double shift working so far as depreciation of machinery is concerned. The matter was referred to expert authorities and the Central Board of Revenue quoting the expert opinion to which I have just referred said that they were not prepared to allow any further depreciation whether the machinery worked 10 or 12 hours. The matter came back finally to the Bombay Millowners' Association and if I remember right, they accepted that and there was nothing further to be said in the matter in view of the letter from the Central Board of Revenue. You will have to think over the question. It doesn't look so simple as to say that if a machinery works 9 hours the depreciation rate is so much. If it works 18 hours, the rattling is making it go to pieces and therefore the depreciation should be double or treble.

Mr. R. Mudaliar.—I do not know who the experts were who were consulted, but we have got our machinery suppliers who pay us visits periodically and at the time of purchasing the machinery, they say that machinery will last for 40 or 50 years, whereas some other machinery will last for so many years, that the machinery for which credit is put is a sturdy one. When we find certain parts of the machinery breaking and certain parts giving trouble, these very suppliers tell us "you are working 20 or 22 hours without giving sufficient rest. Even machinery has got life just like human beings and so that accounts for the rapid deterioration or machinery is getting spoiled in some respect or other". That is the version of the suppliers of machinery.

President.—That would not apply to buildings?

Mr. R. Mudaliar.—No.

Mr. Mudaliar.—A number of spinning mills have been converted in South India recently. Can you indicate what dividends they forecasted in their prospectus?

Mr. R. Mudaliar.—I would appeal to the Board not to take that into account. It is just to attract capital.

Mr. Mudaliar.—My point was exactly the reverse. If my information is correct, I was told that these prospectuses suggested a dividend of not more than 6 per cent. and I was going to suggest that 60 per cent. was a reasonable expectation in these times.

Mr. R. Mudaliar.—They suggest 8 to 12 per cent.

Mr. Mudaliar.—Not 6 to 10 per cent.?

Mr. R. Mudaliar.—No. That is subject to correction.

President.—Does the production of the mills in South India go to the handloom weavers?

Mr. Doak.—Yes, the bulk of it—95 per cent. of the Madura Mills' production. About Coimbatore mills, excluding the combined spinning and weaving mills, the outturn of the whole of the spinning mills goes to the handloom weavers.

President.—Handloom weavers in Madras have been finding it difficult to export their handkerchiefs and other things and I should think that is one of their reasons why they have not been able to buy from you so much yarn as formerly. You told us it is because too much yarn is coming in. It is also due to their production not going out.

Mr. Doak.—Their production is 40s to 60s.

President.—To that extent they would have to get yarn from somebody.

Mr. Doak.—They could get it if Government would give a rebate of duty on the yarn content of the cloth exported.

President.—That is a good idea. Do you mean if there is a duty on imported yarn, there should be a drawback on the finished goods exported?

Mr. Doak.—Yes.

President.—The handloom industry in South India is expanding steadily?

Mr. Doak.—Yes.

President.—The point that I would like to ask is this: which is expanding faster, the handloom industry to which you sell all your yarns or the mill industry?

Mr. Doak.—One has to expand with the other.

President.—But they are not. At the moment you are overproducing.

Mr. Doak.—The handloom weavers are taking up all our production. It may be at an uneconomic price when you say overproduction, but all the production is being taken up.

President.—Are you running all your mills or are you running short time?

Mr. Doak.—We are running all the mills, but one is on double shift.

President.—And the rest are working single shift?

Mr. R. Mudaliar.—Yes.

President.—Your point is that the yarn is sold too cheap?

Mr. Doak.—Yes.

President.—Have any of the mills specialised in any way? We heard this morning mills at Home cater for particular demands, one for the finer, another for the coarser and the third for the medium counts. What is the general practice in South India? Are you all making the same counts?

Mr. Doak.—At least one new mill in Coimbatore is making 40s only.

Mr. Sirur.—They are mostly making 28s and 40s.

Mr. Doak.—They find that certain counts pay at certain times. If they find that there is a demand for 28s, if it pays, they will spin that. If they think that 20s are selling on a large scale, they will change over to 20s and if they find that 40s are selling more briskly, they will change over to 40s.

President.—If you look at the monthly published figures, you will find that you are rapidly developing on 40s. It shows that in 1932-33 you were making only 2 millions; in 1933-34 8 or 9 millions and in 1934-35 15 million lbs. of 40s. How were you able in the face of the competition from Japan,

United Kingdom and elsewhere to develop to that extent from 2 million to 15 millions?

Mr. Doak.—As I explained in the early part of the afternoon, the prices for 20s were so unremunerative that we had to go on to 40s in order to bring down 20s production—I think my friends from Coimbatore will agree that it was entirely their position also—even though 40s spinning was unremunerative.

President.—But your 20s actually have come down by 3 million lbs. and your 40s have gone up to 15 million lbs.

Mr. Doak.—Spindles have increased.

Mr. Sirur.—In South India Cambodia cotton and Karunganny are grown in large quantities and are more suitable for spinning 30s and 40s than 20s. For spinning 20s Coimbatore mills have to import cotton from the northern part of the Southern Mahratta country, but for spinning 40s they can get the cotton at their very doors on which they are saved the freight and the pressing charges. Therefore it is cheaper for them to spin 40s than to import cotton for 20s and make money.

Mr. R. Mudaliar.—I endorse that point of view. Cambodia cotton is grown at our very doors.

President.—Till 1933 you were making only 2 millions. To-day you are making 15 million lbs.

Mr. Sirur.—The growth of mills in South India is only of recent origin—during the last 5 or 6 years.

President.—Why are you building so many mills in South India?

Mr. R. Mudaliar.—I cannot explain. In Ahmedabad and Bombay, mills have sprung up in the last 25 years and we found that Bombay was getting a good lot of cotton from our part of the country and also Madura. So we thought that if so many mills have sprung up in Bombay and Ahmedabad, there must be some justification to have mills at the centre where the best cotton is grown.

Mr. Naidu.—We are simply following the present Managing Agency system.

President.—How do you arrive at your costs for different counts of yarn? Some of you have gone on to 60s or 80s and I know you were good enough to give me figures. We don't propose to explore them further. Can you generally tell the Board on that point that I was endeavouring to follow this morning that if you are ordinarily making say anything from 20s up to 30s and 40s and begin making 50s to 60s, how do you allocate your costs?

Mr. Doak.—In our case it was comparatively simple. We had some separate rooms and we could take the actual process cost right through. Downstairs we had a blow room. We had a separate room for the carding process and a separate room upstairs for all the spinning process and a section divided off for all the reeling, so that we can see exactly what the spinning of 60s cost us.

President.—Did it work out as you expected?

Mr. Doak.—The actual cost was lower than would have appeared by our ordinary method of costing.

President.—How are you able to say that the actual cost was lower? Tell me how you proceeded to do it. How do you know it was lower than it should have been?

Mr. Doak.—It was lower than was indicated by the method of costing usually adopted in our mills.

President.—Was there not much difference?

Mr. Doak.—10 per cent.

President.—If you can give us your full costs, we will be able to see.

Mr. Doak.—Yes.

President.—You make a reference to changing over from spinning to weaving. Is it not a natural evolution? You are just endeavouring to do in Madras what they have done in Bombay. What happened in Bombay? They started as spinners here and they are now very largely weavers. You would probably go on to weaving though you started as spinners.

Mr. Doak.—We have been considering this question for years, but we have not wished to do it. For one thing, we know spinning and we do not know weaving. The other thing is we have built up markets of handloom weavers and if we go on to cloths, we would naturally go on to cloths made from yarns which we have been selling to handloom weavers. Consequently we are bound to displace the handloom weavers. If spinning mills put in looms the natural result will be that we will be displacing the handloom weavers.

President.—It does you credit to suggest as a reason for your continuing to be a spinning mill that you do not want to displace the handloom weaver? The handloom industry has been having a big struggle for existence for various reasons and they are quite justified from their point of view. It is difficult for us to get handloom weavers to come forward and put their point of view. But we have had representations from Directors of Industries, and from Madras in particular, suggesting that it is not in the interests of the handloom weaver and that the duties on yarn be reduced. What would you say to that?

Mr. Doak.—It is not in the interests of the handloom weaver to find himself completely displaced as would be the case if spinning mills, finding spinning very unremunerative, took to weaving. In that case, the handloom weaver would suffer more. I have already put forward a suggestion that a drawback should be granted on exports of handwoven cloths of counts of 40s and upwards. For the balance of their production which is sold in the Indian market, I think it will be found that the consumers of these particular goods belong to a well-to-do class and would be prepared to pay, if necessary, a little extra. In other words the duty would not fall entirely on the handloom weaver; it would be passed on to the consumer.

President.—I see in Madras in particular, according to the figures that we have received from Madras, the industry is steadily expanding.

Mr. Doak.—Yes.

President.—The latest figures for the year 1934-35 show that Madras received on the balance 8½ millions lbs. of overseas yarn and that Madras used 70 million lbs. of Indian yarn, making a total of 78 million lbs. of yarn. Now you suggest that 8½ million lbs. of yarn can be produced by you down in Madras.

Mr. Doak.—Yes.

President.—Provided you get a sufficiently high duty to do it.

Mr. Doak.—Yes.

President.—From your figures I find that there has already been a change-over in three years from 2 million lbs. to 15 million lbs. in 40s which points to the fact that you are getting on to the higher counts at least. Could we get figures that would show the prospects of your continuing to advance above 50s? You have given us your production figures showing what was produced in 50s. You are not now producing as much above 50s as before.

Mr. Doak.—We are producing.

Mr. Naidu.—The imported 60s is coming in competition with us and thus trying to eliminate our 40s.

Mr. Sirur.—We claim a higher duty against the imports not because we want the imports to stop but because with a higher duty the imported yarn will sell at a higher rate and our yarn also will get a better price.

President.—You have brought us back to our terms of reference which are that we should equate your fair selling price to the imported price.

Mr. Sirur.—The selling price is not remunerative to the Indian spinning mills.

Mr. Rahimtoola.—With regard to yarns which you are manufacturing now above 40s, is it that you are doing it because it is more remunerative?

Mr. Doak.—I would not call it more remunerative.

Mr. Rahimtoola.—I am asking you what is making you go over to fine counts. Is it because there is a definite demand for this sort of yarn from the handloom weavers or is it because circumstances have changed and there is too much internal competition in lower counts as a result of which you have turned your attention to higher counts?

Mr. Doak.—We have a market for 60s because imports are coming in but in part to help to get away from the internal competition in 20s we have gone on to 60s.

Mr. Rahimtoola.—You mention that you are working hand in hand with the handloom weaver and that you are catering for the handloom industry you are therefore in a better position to find out what the handloom people actually want. Are they satisfied with counts up to 20s or is there a definite demand for fine counts?

Mr. Doak.—We are meeting a part of the demand for 60s.

Mr. Rahimtoola.—Do you think that the demand is likely to go up? Has the taste of the public changed to a certain extent or has the production of lower counts become more than what the country can consume?

Mr. Doak.—I don't think that there has been any substantial change the handloom weavers' consumption of 60s.

Mr. Rahimtoola.—Do they go up to 60s?

Mr. Doak.—Yes.

Mr. Mudaliar.—They go up to even 200s.

Mr. Rahimtoola.—What is the proportion of that? Very little, I suppose.

Mr. Doak.—We only go up to 60s.

Mr. Rahimtoola.—Even with imported cotton?

Mr. Doak.—Yes.

President.—You say that the industry requires at the earliest possible date adequate duties against all imported yarn. Have you any disabilities in the shape of duties?

Mr. Doak.—Yes, on account of the 10 per cent. duty on machinery and stores, and the duty on cotton. These are our disabilities. We have asked for 1½ annas plus 6 anna as against the existing duty. The duty on 60s might be 6 or 7 anna on the existing 5 per cent. So instead of that, we are asking for 1.5 annas plus 6 anna to equate the duty on raw cotton.

President.—Is there anything else which you would like to say to the Board?

Mr. Sirur.—Our contention is this that the spinning industry is placed in a worse position than the weaving industry. The weaving industry is not in a very good condition. In comparison with the weaving industry we are in a worse position. The protection given to the spinning industry is not sufficient to keep the mills going.

President.—We will try to keep you off the weaving industry and keep you going as spinning industry. But why do you say that you are not so well treated as the weaving industry?

Mr. Sirur.—Because the spinning and weaving go hand in hand and the very fact that several spinning mills have put up weaving sheds shows that spinning is not paying. The Coimbatore people have been adding small units. It is an industry which they have been handling for the last four or five years. The effect can only be seen at the end of ten years. They have new machinery to deal with and good cotton to deal with. After

some years they will be in the same position as the rest of the spinning mills in India.

Mr. R. Mudaliar.—Even now we are no better.

Mr. Rahimtoola.—Unless the Tariff Board comes to your rescue?

Mr. Sirur.—They should come to our rescue.

Mr. Mudaliar.—We were told this morning that so far as spinning of fine counts is concerned, a special type of machinery is required, apart from special education of the labourer, and so on. Am I to take it that the type of machinery which you have now got is enough to spin up to 80s, 100s and even 120s?

Mr. Doak.—I would not say that. With some slight modifications and additions, we can spin 60s and even 80s.

Mr. Mudaliar.—With your existing machinery how far can you go?

Mr. Doak.—We spin 60s after having made very minor alterations to our existing machinery.

Mr. Mudaliar.—If you want to go beyond 60s, you have to make further alterations, have you not?

Mr. Doak.—For the purpose of the Tariff Board, we have spun quite a lot of 80s on our 60s plant very successfully.

Mr. Mudaliar.—You would not do it as a normal thing, would you?

Mr. Doak.—Yes.

Mr. Mudaliar.—Am I to understand that on your existing machinery you can go up to 80s? Tell us the utmost limit to which you can go.

Mr. Doak.—We would still have to do, what we are at present doing, to alter the double creel. We can do that in our own workshops. We find that the card wire which was mentioned this morning—we are working in any case with a fairly fine wire—and the cards are quite suitable for 60s and 80s, so that we can put one of the existing mills completely on 60s and 80s, drafting the cards and the other machinery which would be set free on to our other existing mills. For that matter a few ring frames will be necessary to utilise the machinery thus set free.

Mr. Mudaliar.—At what stage would you have to import absolutely new machinery or make considerable alterations to your machinery if you want to go in for finer counts?

Mr. Doak.—I should think over 80s. But I think I am not sufficiently an expert to give you a definite answer. In fact, I am no expert at all.

Mr. Rahimtoola.—Would that apply to Coimbatore?

Mr. R. Mudaliar.—Our Manager there has spun 60s.

Mr. Mudaliar.—I am thinking of above 80s.

Mr. Naidu.—We have two ring frames (1½" ring) which are particularly required to spin up to 60s.

Mr. Mudaliar.—Then you can go up to 60s.

Mr. Doak.—Yes, without any change.

Mr. Mudaliar.—How much hosiery yarn are you manufacturing? Can you give us some figures?

Mr. Doak.—I have already given the Board that information in the details of our sales for the last five years. I don't have the figures handy.

Mr. Mudaliar.—Do you know of any other spinning mill which manufactures hosiery yarn?

Mr. Sirur.—We spin about 30,000 lbs. a month in Bombay.

Mr. Mudaliar.—Where is your market?

Mr. Sirur.—Mostly it is local.

Mr. Mudaliar.—We had a complaint in Calcutta from the Hosiery Manufacturers that they were finding it difficult to get Indian hosiery yarn and that the import duty on hosiery yarn was affecting their business.

Mr. Doak.—We have bought special machines for the hosiery business in anticipation of an increase in the demand. At present there are 100 machines standing idle.

Mr. Mudaliar.—How is that?

Mr. Doak.—The hosiery factories in Bengal are not very well organised and they come sometimes for large quantities of yarn and then they hold off at other times when we have to dispose of our production. There will be a lull and suddenly there will be a demand for 1,000 bales of yarn which cannot be spun by a stroke of the pen. Sometimes we cannot give delivery two months ahead. These things periodically happen.

Mr. Mudaliar.—Have you got a steady connection with the South Indian hosiery manufacturers in Salem and Malabar?

Mr. Doak.—We sell a reasonable quantity but the bulk of our hosiery yarn goes to Calcutta.

Mr. Mudaliar.—The complaint is that the supply is unsteady and that the quality is rather inferior.

Mr. Doak.—I don't think so.

Mr. R. Mudaliar.—Last week I was in Calicut. They said that the Madura Mill yarn was good for hosiery purposes. Regarding the complaint of handloom weavers and others in Calcutta and other places, I have got a letter from Calcutta in which it is said that some of the importers have been prompting handloom weavers to say that the Indian yarn is inferior compared to the imported yarn.

Mr. Mudaliar.—That is about ordinary yarn.

Mr. R. Mudaliar.—Yes.

Mr. Rahimtoola.—Which is your principal market?

Mr. Doak.—Calcutta.

Mr. Rahimtoola.—You have in the memorandum criticised the statement made by the Lancashire Delegation regarding the specific duty. I want to know what imported prices you have taken into consideration in arriving at that duty. Can you supply us with c.i.f. prices?

Mr. Doak.—Yes.

Mr. Rahimtoola.—I would like to have c.i.f. prices of Lancashire yarn of counts 50s and below in the markets in which they are competing with your goods.

Mr. Doak.—Yes.

President.—Can you buy bleached yarn from the Indian mills?

Mr. Doak.—From the bazar. Some of them bleach it themselves, and some buy from separate dyeing factories which also have bleaching plants. For instance in Madura there would be 70 or 75 dyeing factories and the handloom weaver gets his yarn bleached by them.

BOMBAY MILLOWNERS' ASSOCIATION, BOMBAY.

Evidence of Sir JOSEPH KAY, Kt. (Chairman), Mr. V. N. CHANDAVARKAR (Deputy Chairman), Mr. S. W. SAKLATVALA, Sir HORMASJI MODY, K.B.E., M.L.A., Mr. F. STONES, O.B.E., Mr. D. M. KHATAW and Mr. T. MALONEY (Secretary), representing the Bombay Millowners' Association, Bombay, recorded at Bombay on Thursday, the 19th December, 1935.

President.—Sir Joseph and Gentlemen, I take it, as stated in your replies to the questionnaire, that your representation and other statements represent the views of the Millowners' Associations of Bombay and Bengal and the millowner members of the Upper India Chamber of Commerce as well as a large section of the Industry in other parts of India.

Sir Joseph.—That is so.

President.—We have received separate representations from the Ahmedabad Millowners' Association and the Southern India Millowners' Association and from amongst you all we have got views which pretty well represent the views of all the mills in India.

Sir Joseph.—I think so.

President.—Following the suggestion that was made at the opening of this enquiry, we have exchanged cases. As you are aware, we have given you all the information you wanted regarding the other cases as well as copies of them and I shall be very interested to hear if, after having perused these cases—it is quite true that you have given some very interesting notes already on the subject—having gone through the other cases and studied them, you wish to modify or amplify the general case that you have put up before us. We would be very glad to know your views on that point.

Sir Joseph.—I have no desire to modify our case. I will, with your permission, make a few observations on the cases which have been presented by the other sides because we could not naturally do that until we had seen these cases. I will make a few general observations, if I may.

President.—Please.

Sir Joseph.—This is the fifth enquiry into the affairs of the Indian Textile Industry in the last nine years, and, while we fully realise that the present enquiry has a specific purpose, viz., to review the immediate past, and as a result of that review come to conclusions as to whether the existing protective duties have been and are adequate to ensure fair selling prices for Indian goods against which the goods now imported from the United Kingdom compete directly or indirectly, we have spared no pains to place before the Board the fullest information which it is possible for us to give on the problem which the Board is investigating.

In submitting the Industry's case, we have as far as possible confined ourselves to the submission of essential data, and have rigorously excluded matters which might be construed as irrelevant in view of the Board's limited terms of reference, and we have no doubt that the facts which we have placed before you will assist you to assess the situation correctly and arrive at conclusions in the difficult problem with which you have to deal. Obviously, in a case such as this, in which the facts submitted by our side require to be proved by detailed costs, much of the evidence we have put forward is of a strictly confidential character. This, from one point of view, is perhaps unfortunate, since it prevents the public from correctly gauging the justness of our case for the continuance of the existing level—and in

some cases a higher level—of protection, and all will appreciate the undesirability of disclosing every detail of our trade and costs to our competitors.

We have submitted to the Board the costings and realizations for a wide range of fabrics and yarns now being produced in India against which cloths imported from the United Kingdom compete, and have as nearly as possible matched these cloths against United Kingdom cloths of similar construction. We have also submitted a mass of information concerning our works expenditure for the last five years as required by the Board to enable it to visualise the progress achieved in our efforts to reduce costs of manufacture and to diversify our production.

In addition to answering the Board's Questionnaire, we have submitted a supplementary representation, which deals with facts, which, in our opinion, need to be taken into consideration in addition to the data specifically asked for. In this supplementary representation, we have given the Board information as to what would represent the fair selling prices of a large number of lines of goods imported from the United Kingdom when manufactured in India. These fair selling prices for goods being imported have been estimated according to the basis laid down by previous Tariff Boards, and represent the bare cost of production *plus* depreciation, interest on working capital and profit.

We have been given an opportunity, for which our thanks are due to the Board, of examining and criticising the representations submitted by the other side. This examination has, in our opinion, revealed that considerable portions of the cases submitted by the various Chambers of Commerce and by the United Kingdom Delegation deal with matters beyond the scope of the Board's terms of reference; but, while we recognise and sympathise with the difficulties which Lancashire has to face owing to the decline in her cloth and yarn export trade with India, we cannot under any circumstances admit that this decline constitutes a justification for a reduction in the existing duties as asked by the United Kingdom Delegation unless it can definitely be proved that the duties now in force have enabled Indian Mills to realise prices higher than fair selling prices for their manufactures. Nor can it be proved—as we shall shortly show—that, as stated by them, the effect of the duties is to raise the prices of goods to the consumer.

We also realise the maintenance of a reciprocal trade between the United Kingdom and India to be a matter of considerable importance, but this is a wide issue on which a great deal could be said if it were relevant to this enquiry.

We acknowledge and appreciate the efforts made in the United Kingdom to increase the consumption of Indian cotton, but would like to bring to the notice of the Board that the improvement of the staple and grade of the cotton grown in this country has been receiving the consistent attention of millowners over an extended period, and that during the last twelve years a total amount of 34½ lacs of rupees has been raised as a result of the Cess levied on Indian cotton consumed in Indian Mills. The proceeds of this Cess have been devoted to cotton betterment and to the improvement of the financial position of the cotton grower, from which Lancashire is now deriving the benefit. We might also add that our Industry's consumption of the Indian cotton has increased from 1·8 million bales in 1923-24 to 2·6 million bales in 1934-35.

Reference has been made in the various cases submitted by the other side to the very considerable expansion of the Indian Mill Industry during recent years. It is a fact that India's productive capacity has increased substantially, but, in our view, this, under a policy of protection, is a natural development which has been of enormous benefit to the country. While the outturn of the Industry does and must materially affect the imports of foreign cloth, the total productive capacity of the country is still well below India's total consumption of piecegoods, and there still

remains room for the importation of considerable quantities of textiles from the United Kingdom.

We have also pointed out the handicaps which we have to suffer in our export trade in the Empire Markets. In many of these markets—which at one time were of considerable importance to us—although the import duties which India has to pay are nominally the same as those which the United Kingdom has to pay, we have been unable to obtain any advantage from the quota arrangements recently put into force. One reason for our failure to make progress is to be found in the fact that our Industry's cost of manufacture has been considerably increased on account of the import duties which have to be paid on imported cotton machinery, mill stores, etc., etc. These duties are, of course, to some extent offset when competing in the Home Market by the import duties which the United Kingdom has to pay on yarn and cloth, but, when competing in the export market, the duties on cotton machinery, mill stores, etc., constitute a heavy burden which makes it almost impossible for us to sell any goods in competition with the United Kingdom.

We have been given the opportunity of examining the construction and price data of the cloths which the various Chambers of Commerce have put in to support the case for a reduction in duties, and found that they contain many inaccuracies. These, however, will be the subject of a separate report to the Board after the technical examination of the samples has been completed. As regards the samples and price data submitted by the United Kingdom Delegation with their original case, we submit that they must have been tendered owing to a misconception of the scope of the terms of reference and of the objects of the present enquiry, representing as they do the estimated fair selling prices in the United Kingdom for classes of goods which England has not for many years exported to India. Since the arrival of the United Kingdom Delegation in India, they have submitted a further range of samples more representative of the goods actually being imported. These have been matched against similar Indian cloths, and were recently sent to us for examination. A detailed report on these goods, which covers the technical analysis, making particulars, etc., of no less than 300 samples submitted by the parties mentioned, with notes on price data and other matters in respect of each sample, has been prepared and submitted to the Board, but, in our view, many of the samples submitted by the United Kingdom Delegation and the Bombay, Bengal and Madras Chambers of Commerce substantiate the case for retention of the existing duties, and in some cases higher duties on cotton piece-goods and higher duties on cotton yarn.

President.—In the statement you have submitted to us, you have rightly brought us down to our terms of reference. I must say that we appreciate very much the consideration which has been given to that particular point. Now you don't agree, to come to the point, that the assessment of price margins should proceed on the basis suggested by the United Kingdom Delegation.

Sir Joseph.—Certainly not.

President.—As you have pointed out, they have taken your Indian mill cloths and have applied to them prices as if these have been made in Lancashire. They have brought these prices back here along with the prices of Indian cloths and have suggested that that is a fair basis for comparison. You on the other hand have taken Lancashire imported goods and have applied to them prices as if these goods have been made in your Indian mills and then you propose to compare the prices of these goods with the fair selling prices of Indian mill goods.

Sir Joseph.—We have done more than that. In addition to having done what you suggested, we have submitted to the Board samples of the United Kingdom goods being imported into India and samples of Indian mill-made goods, almost parallel, and along with these samples the actual costs of making the goods in India.

President.—What is the distinction between the two? Could you put it to us clearly why you object to the Lancashire method? In either case, you are dealing with not real goods so to speak but, shall I say, imitations of real goods for costing purposes.

Sir Joseph.—You are surely bound by the terms of reference to take the imported goods, not goods that are made in India which Lancashire can make. The Government Resolution, as we read it, is perfectly clear. This is what is said in paragraph 5 of the Government Resolution:—“To recommend on a review of present conditions and in the light of the experience of the effectiveness of the existing duties, the level of the duties necessary to afford adequate protection to the Indian Cotton Textile Industry against imports from the United Kingdom”. Reading that as I do, there can be no misunderstanding on that point because if Lancashire were to take goods (which we are now making) from our present Indian production to Lancashire, not for the purpose of exporting such goods but for the purpose of arriving at costs, I submit that it does not conform to the section of the terms of reference which I read out to you.

President.—Therefore it is purely on the interpretation which you put upon the terms of reference that you are taking exception to this method of assessing duties?

Sir Joseph.—I take, and I must take, exception on general grounds also to any case which is submitted which does not conform to the terms of reference. If the terms of reference were different and read differently, we probably could have submitted our case differently. It is not fair to my side or the other side to put a construction on the terms of reference which, if read in a particular way, we submit, would have a particular inference.

President.—Accepting for the moment your argument, you have on the other side, taken Lancashire goods and have converted them for the purpose of this enquiry into Indian mill made goods and given us prices for them.

Sir Joseph.—We have taken the Lancashire goods which are being imported. We have not gone into the Lancashire market and discovered qualities and brought them for costing. The procedure we adopted was that we went into our own market, discovered the goods coming into competition with ours and then gave you their costings to show what it would cost us to make them.

President.—That does not make in essence any difference. They came to your market, picked up the Indian goods with which they were to compete and tried to price them just as you took the Lancashire goods and tried to price them.

Sir Joseph.—My view on that is this. If that procedure was followed, it is tantamount, as I said, to telling the Lancashire Delegation or the Lancashire people—“You cost the goods which have been made and put up a case on that basis for the equation of prices at such rates as will enable you to compete in the market”. I submit that that is not the policy of protection which is in vogue in India and I submit that my reading of the terms of reference is the correct one and it is on that basis that we have put up our case. As I just pointed out, we have given you evidence; we have given you facts.

President.—I quite appreciate that. Assuming we accept your suggestion that these are not fair methods of arriving at fair selling prices, then we have got to get, as far as Lancashire goods are concerned, down to something or other to get at their prices. Now we have got a great many samples received from the Chambers of Commerce of Bengal, Madras, Bombay and Karachi, from yourselves and others; and I think we would probably get down to actual landed prices. We have asked the Customs officers in the big ports to be good enough to favour us with the latest information they can give us on this question of prices of Lancashire goods.

Having got them, we have got one side of the terms of reference, that is to say, we shall be able to arrive at least at the prices of imported goods.

Sir Joseph.—Yes.

President.—We have to equate the prices of imported goods with your fair selling prices of similar goods produced in India. As you say, you have given us Lancashire goods priced in your mills.

Sir Joseph.—Yes.

President.—I will deal with that question later on. But besides that, you have given us a range of samples of your own goods independently of Lancashire goods.

Sir Joseph.—Yes.

President.—Have you actually given us costs of your own goods?

Sir Joseph.—Yes. In Schedule A, you will find a range of 35 samples of Indian made cloths. You will also find in Schedule F counter samples of Lancashire imported goods which are almost comparable. I do not say that they are what you have in mind. They are not exactly manufactured to Indian specifications or *vice versa*. They are as near as possible comparable.

President.—That leads us to the next point. We have got, as you say, Lancashire goods, and we will get their prices. Then we have got your mill goods and you have given us their costs. We will deal with your costs later on. Meantime they must be similar goods. You say that they are really comparable goods for reasonable purposes. Our terms of reference are that we should equate prices of imported goods with the fair selling price of similar goods made in India. That is the difficulty—getting comparable or similar goods. Goods made in India are not the same as those made at Home, and our own method of arriving at it was to try and get you, gentlemen, on both sides to agree as regards comparable or similar goods for the purpose of equating prices. To what extent have you been able to go in that connection?

Sir Joseph.—In trying to get any basis or formula to equate the prices of goods which are so varied in their construction and in their manufacture, it may be possible to get an equation formula up to a certain point. But I submit that when you come to matters of finish, when you come to the goods as presented on the market, nothing but a close examination of these samples will enable you to equate prices.

President.—As you know, we must do this if we are to implement the terms of reference. That is to say, we must equate the prices. We have got to have similarity of goods and you now say that having got similar goods there will be certain adjustments to make. I will ask you to develop that point later.

Sir Joseph.—May I give you a little practical demonstration. That, sir, is a plain grey cloth (hands in). Just to illustrate my point this is another kind of cloth (hands in).

President.—This is grey bleached?

Sir Joseph.—Yes. And here are some more; these are coloured cloth (hands in samples of coloured cloth in different colours). I have got here 8 finishes of cloth bleached, dyed, printed and mercerised; all kinds of things. Will you believe me when I tell you that these are all the same grey cloth in different finishes to one specification, one cloth only. As I just pointed out, sir, my case is this, that you will be able to arrive up to a point at a formula to equate prices. What, I submit, the demonstration of these goods proves, is, that when you come to examine matters of finish, and matters of how the cloth is dealt with, it can only be done by technical experts after assessing what extra price is to be put on the cloth. They are all one quality; the basis of the cloth is the same all through.

President.—That is to say the reeds and picks and counts are exactly the same in the various processes from grey right up to dyed, coloured and bleached. I accept that, non-technical as I am! Having got that far, and I agree with you absolutely because we have seen hundreds of samples in our present enquiry and I see this particular difficulty, I want to get down to a series of common denominators. Will you please develop the point and read out the statement you have prepared in reply to our Lancashire friends?

Sir Joseph.—This is a further note for the Board—"We have carefully considered to what extent comparisons of Indian and United Kingdom cloths will be of assistance to the Board in their present enquiry, and after a preliminary investigation have come to the conclusion that such comparisons will be helpful provided that they are made for the strictly limited purpose of ascertaining the approximate relative values and not as the sole test to be applied in arriving at the level of duties required by the Indian industry in order to equate the fair selling prices of Indian goods with the landed price *plus* duty of competing United Kingdom manufactures. . . .

President.—We can get only approximate values: I appreciated that when I had been comparing these different goods, that there is this difference. But I want you to tell me what you can do, when your experts have determined the exact degree of difference in the dimensions and so on and have eliminated them one by one by process of adjustment. I do not propose to compare coloured goods with grey goods, but coloured goods with coloured goods, printed goods with printed goods. What I am trying to do, as far as possible, is to get down to what I call a common denominator. Will you now proceed?

Sir Joseph.—We would, however, point out that in making comparisons, even for the limited purpose which we have suggested, no formula in our opinion can be devised which would make it possible for the Board to determine values without expert assistance. The procedure which we suggest the Board might adopt would be somewhat as follows:—

"All the cloth samples and the price data submitted by the various chambers of commerce, the United Kingdom Delegation and by the Mill industry should, in the first place, be examined and commented on by experts on each side, the object of this expert examination being to determine, firstly, the accuracy of the price data, and secondly, the exact degrees of difference in the dimensions and specifications of the cloths which have been matched in the various representations submitted. The Technical Adviser to the Board, having been supplied with the expert opinion of each party, might then frame a list of the cloths in each broad category of goods which are roughly comparable in construction. When this stage has been reached, taking the landed price *plus* duty of the imported cloth as the basis, an approximation of the relative value of the roughly comparable Indian product could be made by the Technical Adviser to the Board with such further assistance as may be necessary.

"In determining the relative value of the Indian article, the following considerations will have to be dealt with:—

- Difference in the quality of cotton used,
- Difference in borders or designs,
- Regularity of yarn,
- Difference in dimensions,
- Difference in the counts of warp and of weft,
- Difference in reed and pick,
- Differences in the percentage of size or filling,
- Differences in the quality and nature of the dyestuffs used,
- Differences in bleaching,
- Differences in finish, and

The added value which the Indian or the United Kingdom cloth commands by reason of its long standing in the market or by reason of its special make up, trade mark, heading, etc."

President.—That is of course for the technical expert to do. The average buyer of cloth, whether a dealer or a man in the street or anybody else, does he get down to all these details?

Sir Joseph.—As far as we are concerned the man who is buying our cloths knows exactly what he is buying and in many cases the reed and pick is inserted in the contract. I make that point because you were told by witnesses here that the cloth is bought on feel only.

President.—If I remember, it was a dealer in cloth who said that.

Sir Joseph.—In proof of my statement I submit three contracts with mills from which you will see that the reed and pick and warp and weft are stated in vernacular. I will now proceed:—"In comparing any particular cloths, we should like to make it clear that an approximation of relative values will only be possible if the cloths are approximately of the same width. Differences of more than 4 inches should not be permitted except in special circumstances".

President.—Can I get that point? I understand if you are making on 36" loom instead of 56" loom, that will make a very material difference, but cannot the technical experts equate that difference?

Sir Joseph.—We have not been able to get to any formula. "As regards yarns, both warp and weft counts in the respective cloths should be fairly close. We could not agree that the average count of warp and weft should be taken as establishing comparability. For instance, an Indian cloth might be made from 40s warp and 60s weft and an English cloth from 60s warp and 40s weft. These cloths would not necessarily be comparable, as one cloth would be considerably more costly to produce than the other.

"As regards reed and pick, the reed of one cloth should be fairly close to the reed of the cloth against which it is being matched, and the same consideration should apply in regard to picks. An average of the reed and pick would not be sufficient for the reason that a high pick cloth will be more expensive to produce than a high reed cloth, although the average of the reed and pick in the two cloths, taken together, might be the same.

"We should like to make it clear that we could not agree to a comparison being made for any particular category of goods which did not provide for the examination of individual cases. Suppose, for example, after examination by the experts as suggested, six United Kingdom white shirtings have been ascertained to be roughly comparable with six Indian white shirtings, it would be necessary to evaluate each of the individual cloths; and after this evaluation has been made to determine, taking into consideration the fair selling price factor, what particular duty was required in that particular instance.

"Finally we would like to point out that, with so many variables to be taken into consideration, no general formula can be applied for the estimation of relative values, and that the results of a comparison such as we have suggested must be considered merely as supplementary to the other tests which the Board will have to make in arriving at conclusions as to the measure of protection required, either for any particular class of cloth or for the whole range of cloths at present being imported from the United Kingdom."

President.—I thank you very much for the statement you have made and I express my appreciation and the appreciation of my colleagues for all that your members are doing to help the Board.

Mr. Stanes.—Thanks to the kindness of the Board and the various parties who have been at it, I have been able to examine a tremendous number of samples. We appreciate the assistance of the other side. We

can select qualities of reasonably comparable goods in many cases—there may not be too many—and the Board will bear in mind the danger of generalization from a small number of samples. On the other hand that will be an indication to the Board. Samples have been submitted to the Board which we know definitely are imitations of our samples made against Japanese goods.

President.—The goods are good enough.

Mr. Stones.—We know that now the Lancashire quality is nothing like the quality which was originally supplied by Lancashire. I say comparison can be made in a wide number of cases. The next point is the buyer buying by the feel and appearance. A fair number of these buyers come through to us directly and ask us whether a particular range of, say, dhories, can be had for sale in the Calcutta market. Suppose we show one which will show a definite profit and another which will show definitely less profit, they will come and buy more of the one and less of the other. The point is that one individual man may purchase by the feel but when it boils down to the wholesaler, we can prove that he wants to have full value for his money.

President.—I think the last few sentences can be summed up this way, that it is the price and not the intrinsic value of the cloth that is the final consideration.

Mr. Stones.—It is the final consideration which may be imposed by one individual man but when it boils down through the wholesaler the price and quality elements are the deciding factors, although variations occur individually. The next point is, whether we cannot make a comparison. There are far too many variables. We can possibly work out the variations, variations in width and make a graph showing that; we can make a graph showing variations in warp, in weft, in reed or pick, but how are we going to combine 7 or 8 variables *plus* the variables of finish and dyeing into one equation? It is almost impossible.

President.—I feel all the time you are a technical man talking to a non-technical man!

Mr. Stones.—Our desire has always been to co-operate and it is the desire of the other side to co-operate and I feel that with the co-operation of the technical adviser of the Board something can be done.

President.—At what stage do we stand in the matter of comparison? Your Association has been good enough to send us a great many returns. How many samples have you dealt with?

Sir Joseph.—350. The only information we have now got to send is the last lot of the cloths submitted by the Lancashire Delegation, about 16. We are working on that. We have sent in a rough note. That would mean we should have gone over the whole range of samples, checked the construction and pointed out the differences.

President.—For the moment I am keeping off prices.

Sir Joseph.—The construction of the matched cloths. We have just got the last lot of Lancashire goods.

President.—Will you tell us how far they have gone on?

Sir Joseph.—They have selected a few cloths which are being analysed and checked up generally.

President.—Assuming that we got to the stage of comparability and similarity, and that we got down to the stage—after having listened to Mr. Stones it is not going to be a straight method—of making adjustments, we still have to get at prices. On the one hand we have got the Lancashire prices and we call them imported prices, because we are going to verify these to the best of our ability from the information you have given us *plus* what we got from independent parties in the shape of Customs Authorities. We have to go to the fair selling prices of Indian goods. You have seen that our Lancashire friends and others would interpret

the fair selling prices to mean if you find somebody selling goods over a period of weeks or months at a price, they think that it is a fair selling price. There is something to be said from that point of view. Lancashire and others say that is what we have got to compare with. We can't tell you what the fair selling price of a mill is, because we do not know. On the other hand we can't tell you what the prices ruling in the market are. They don't run on even keel over a period or they fluctuate.

Sir Joseph.—My reading of what is a fair selling price is a price which covers your manufacturing costs *plus* your legitimate charges such as depreciation *plus* the interest on working capital and fixed capital and a margin of profit.

President.—I think that is a fair interpretation.

Sir Joseph.—That is our estimate of a fair selling price.

President.—I will ask some questions on that. I don't propose to go into the detailed costs in public, but I would like to discuss with you one or two broad questions regarding capitalisation, depreciation and methods of arriving at the fair selling prices. With your permission, I would postpone that until my colleagues have had an opportunity of asking a few questions on the general merits of the case.

Sir Joseph.—My submission with regard to the point you have just now dealt with is this. This matter of fair selling price seems to be rather contentious. I would refer you to the Australian Agreement which is on very similar lines. I am quoting now from the "London Times".

President.—The Australian Agreement is not the same as the Indian.

Sir Joseph.—I thought it might help you or help in a way.

President.—I will explain to you afterwards the difference between the two.

Sir Joseph.—On this matter of fair selling price they take it exactly on the basis of what I have just said. They do deal with labour and machinery. They take the overhead costs and interest on capital.

President.—You take full advantage of all the suggestions that they make here and we will discuss them with you this afternoon. In the meantime would you give us the Times Supplement?

Sir Joseph.—Yes. (Handed in.)

Mr. Rahimtoola.—I would like to discuss with you first the Board's terms of reference, because I find that in all your representations you have been pointedly drawing our attention to the limitations placed on us by our terms of reference. You have also in today's statement mentioned the very same thing. There has been a difference of opinion between you and the Bengal Chamber of Commerce with regard to the interpretation. The Chamber has even gone to the length of saying that in case we disagree with them the matter might be referred to the Government of India for decision. The points are what is meant by the terms imported goods and what is the period which the Board is asked to review. I find in your representation you have mentioned that the period should be reviewed from May, 1934, in the case of yarns, artificial silk piecegoods and artificial silk mixtures, and since January, 1934, in the case of cotton piecegoods. The duty on cotton piecegoods of 25 per cent. *ad valorem* came into existence by the addition of second surcharge in September, 1931. What is the particular reason for asking us that we should review from January, 1934?

Sir Joseph.—The Textile Industry Protection Bill went through the House in April, 1934, or early in that year. The duties on United Kingdom cloths became protective early in 1934.

Mr. Rahimtoola.—I understand there were only two protection bills as such and the third was merely an extension of the protection until Government's decision on the Report of the Tariff Board of 1932.

Sir Joseph.—There was a change of duties.

Mr. Rahimtoola.—The 1st Protection Act, as far as I know, came into effect on the 30th of April, 1930, with 15 per cent. *ad valorem* for cotton piecegoods with 3½ annas per lb. specific duty on plain grey goods. Since then, there were two surcharges. One was 5 per cent. and another 25 per cent. on existing duties. The last surcharge came into effect on the 10th September, 1931.

Sir Hormasji.—The only distinction was this. What were previously revenue duties were transformed into protective duties and that is what the Chairman of the Millowners' Association had in mind when he said that the basis must be March-April, 1934, when the 25 per cent. duties were fixed as protective duties.

Mr. Rahimtoola.—They were fixed as protective duties as a result of the Indo-British agreement known popularly as Mody-Lees Pact. I am only asking you why it should be January, 1934.

President.—You should not ask Sir Hormasji Mody any questions about the Mody-Lees Pact.

Mr. Rahimtoola.—There is no need for you to get nervous about it. I am only saying that it was only in May, 1934, as a result of the Mody-Lees Pact, the duties came into existence. I am not tackling Sir Hormasji Mody about the Mody-Lees Pact.

Sir Hormasji.—The duties became effective on the 1st of May, 1934, and that was the result of a measure of protection which as you have pointed out was based largely upon the Indo-Lancashire agreement.

Mr. Rahimtoola.—The differential duties came into effect in order to check the Japanese competition. I think you are referring to that.

Sir Joseph.—That is right.

Mr. Rahimtoola.—I would like to know your interpretation as to what exactly you mean by imported goods. May I take it that the imported goods in the terms of reference imply since 1931 as far as piecegoods are concerned?

Sir Joseph.—Would you mind repeating the question?

Mr. Rahimtoola.—I said that the existing duties on cotton piecegoods came into being, whether as a result of protection or as a result of surcharges in September, 1931. Now we are asked to review the existing conditions with regard to imports from the United Kingdom. Your interpretation is that we can only review since 1934?

Sir Joseph.—The terms of reference talk about the existing duties and not of the duties in 1931.

Mr. Rahimtoola.—As far as cotton piecegoods are concerned, the duties came into existence, whether as a result of surcharge or as a result of protection, in 1931.

Sir Joseph.—The existing duties became effective from 1934.

Mr. Rahimtoola.—The duties became protective in 1934.

Sir Joseph.—Yes, the present duties.

Mr. Rahimtoola.—I am confining myself to the cotton piecegoods for the moment because the others came in 1934.

Sir Joseph.—I have read the duties to mean the duties on imports from Lancashire.

Mr. Rahimtoola.—I don't think you have correctly understood the point of view which I have put forward. I said that in 1931 the duties on cotton piecegoods were exactly the same as they are to-day.

Sir Joseph.—I must accept that the duties were the same.

Mr. Rahimtoola.—I am not asking you about the duties being the same. I am asking you about the interpretation of the terms of reference as to whether the Board is entitled to make a review of the conditions since 1931 or only since May, 1934, so far as the cotton piecegoods are concerned.

Sir Hormasji.—I submit not since 1931, because when we are talking of the existing duties, we mean the duties which were laid down by the Statute in 1934. The Commerce Member in introducing the Indian Tariff Textile Amendment Bill stated that the review would be at the end of the two Agreements, viz., the Indo-Lancashire Agreement and the Indo-Japanese Agreement. This is what he said:—"On the expiry of the two years covered by the Agreement the duties on British goods for the remaining period of protection will have to be decided on a review of the conditions then existing and in the light of such experience as may have been gained."—which I interpret to mean conditions during the two years covered by the Agreement. That I hope makes it a little clearer.

President.—That is your interpretation.

Sir Hormasji.—Yes, that is our interpretation.

Mr. Rahimtoola.—Your interpretation is that the Board must take cognisance only of the period after protection was granted.

Sir Joseph.—Yes.

Mr. Rahimtoola.—Though identical duties may have existed before the grant of protection to the industry.

Sir Joseph.—Yes.

Mr. Rahimtoola.—Therefore, with regard to imported goods, is it your point that we should take only those styles which have been coming in since May, 1934, and which may have stopped subsequently owing to protection being either too high or their inability to sell those goods from other causes.

Sir Hormasji.—Our point is that you should confine your investigation to the period here stated, that is, from May, 1934.

Mr. Rahimtoola.—That is your interpretation of the phrase "imported goods".

Sir Hormasji.—Yes.

Mr. Rahimtoola.—The President has raised the point with regard to fair selling prices, and he has told you that it has been argued that realised prices, existing for a number of months or a number of years, may be taken as fair selling prices. You have mentioned in the representation now submitted that the system which the Board has adopted in previous enquiries should be followed namely to include all overhead charges in arriving at a fair selling price.

Sir Joseph.—Yes.

Mr. Rahimtoola.—Now when the present duties (25 per cent.) came into existence as protective were all these considerations taken into account?

Sir Joseph.—May I draw your attention to paragraph 9 of the Tariff Board report of 1932?

Mr. Rahimtoola.—You have not followed me. Let me therefore repeat my question. What I wanted to know was when in 1934 the duties were fixed, whether the considerations which the Board would ordinarily take in arriving at a fair selling price were taken into account. If I may remind you, these duties came into existence not as a result of a Tariff Board enquiry.

Sir Joseph.—My reply to that is that when the agreement was entered into, prices were not gone into.

Mr. Rahimtoola.—That means the question of fair selling price was set aside.

Sir Hormasji.—It did not enter into consideration. The idea there was that the Government of India and the Hon'ble the Commerce Member assumed that Lancashire and the Indian Millowners knew sufficiently about their respective businesses and prices to enable them to come to an agreement which they did.

Mr. Rahimtoola.—But that agreement was entirely voluntary.

Sir Joseph.—Yes.

Mr. Rahimtoola.—When the industry voluntarily entered into an agreement, I take it that it took into consideration the amount necessary for the adequate protection of the industry.

Sir Joseph.—We took that.

Mr. Rahimtoola.—When the duty was fixed at 25 per cent., did you take into consideration your fair selling price?

Sir Hormasji.—When it is a matter of agreement, then it is a matter of mutual adjustments and it would not be fair to say that either the one party or the other regarded whatever was laid down as the only possible thing. It was a matter of agreement and the Government of India realising that the agreement came from a body which was representative of the Textile Industry throughout India gave it statutory recognition.

Mr. Rahimtoola.—The agreement could not have been arrived at if it resulted in an injury to the Indian Textile Industry.

Sir Hormasji.—There was no question of injury to the Indian industry in the opinion of those people who entered into the agreement.

Mr. Rahimtoola.—The point that arises from that is this. When you arrived at an agreement, there was no injury and there was no adequate protection to the industry.

Sir Hormasji.—We agreed to a measure of protection which was fair in the circumstances of the case.

Mr. Rahimtoola.—Since then, have you revised your opinion that the duty does not represent your fair selling price?

President.—Is that question put to Sir Hormasji Mody in his individual capacity or as one representing the Millowners' Association?

Mr. Rahimtoola.—It is to the Millowners' Association that I am putting my questions. I am not asking them as to who should answer.

Sir Hormasji.—We came to an agreement which was felt to be in the mutual interests of the United Kingdom and India. Since then, in view of the appointment of the Tariff Board, the position has changed. Now each side is asked to say exactly what its own view is with regard to protection which is necessary. Our friends from Lancashire have advanced the argument that the revenue duty is sufficient. We on our side have produced facts and figures to show that in some cases even the existing duties are insufficient. This is the whole position.

Mr. Rahimtoola.—What do you mean by revenue duty?

Sir Hormasji.—15 per cent. duty. I thought that that was their case.

Mr. Rahimtoola.—I don't think so. In 1930 the level of revenue duties was 15 per cent. Is that your contention?

Sir Hormasji.—I am thinking of 15 per cent. May I know what is their case?

Mr. Rahimtoola.—Never mind about their case. My only point in referring to this agreement was to inquire whether the question of the fair selling price was considered by you when you arrived at this voluntary agreement or whether the question of protection to the industry was taken into consideration on the basis of the agreement as a whole.

Sir Hormasji.—We went upon various considerations and we thought that the arrangement was fair both from our point of view and from their point of view.

Mr. Rahimtoola.—At present do you desire that the Tariff Board should go into the question of fair selling price as was gone into by the previous Tariff Board report irrespective of the fact whether there was protection or not when the agreement was arrived at?

Sir Hormasji.—When the agreement has come to an end, the circumstances which led up to it are no longer in existence.

President.—You do not seem to appreciate the question put by my colleague. His question is: is this Board to go upon what the previous Board did?

Mr. Rahimtoola.—My point is that the overhead charges taken into account by the previous Tariff Board are now being insisted upon by the Millowners' Association irrespective of what happened in the past in arriving at the agreement.

Sir Joseph.—That must be so under the basis of protection starting from the Fiscal Commission.

Mr. Rahimtoola.—That was not so when protection was granted to the industry in 1934.

Sir Joseph.—There was no re-examination in 1934.

Mr. Rahimtoola.—There was a Tariff Board report, but before it was released for publication, the agreement was arrived at.

President.—Might I say one thing? My understanding is that this is the first occasion on which the Tariff Board has been asked to equate prices as regards this industry.

Sir Hormasji.—If I may point out, with due respect, equation of prices is surely a means to an end.

President.—Yes, to give adequate protection to the industry.

Sir Joseph.—Your terms of reference are much more limited than those of the previous Tariff Board. In the case of 1932 Tariff Board, the terms were much wider and involved much more investigation than the earlier one. Your terms of reference are distinctly limited. You will find from the report of the Tariff Board of 1932 that they covered the whole range of the industry from all sides and from all angles.

President.—I am thinking of the terms of reference which are to equate your fair selling prices with those of Lancashire goods. I am quite aware that the previous Tariff Board went into this question.

Sir Joseph.—I was just going to point out to Mr. Rahimtoola what was pointed out by the Tariff Board. This is what they said:—"This measure of protection can only be determined by a comparison of the costs of manufacture in Indian mills with the prices at which cotton goods find a market in India".

President.—That is not what you are doing in your case to-day.

Sir Joseph.—This is from their opening chapter where they are explaining the problem.

Mr. Rahimtoola.—If I understand your point aright, you are differentiating between the terms of reference of this Board and those of the previous Board. In the latter case, the question of substantive protection was before the Board and now only the question of equating prices.

Sir Joseph.—You are dealing now with a limited enquiry. You are not dealing with the whole question of protection in its proper sense.

Mr. Rahimtoola.—In the last Tariff Board enquiry when we went into the question of substantive protection, but we had to equate prices.

Sir Joseph.—I am coming to that. The Tariff Board in their Report in 1932 said in paragraph 93 that "In estimating the charges to be added to the works costs in order to arrive at the fair selling price, we have adopted the following scale of allowances. Depreciation has been allowed at the usual income-tax rates, namely, 5 per cent. on the bulk of the machinery, 7½ per cent. on the bleaching and dyeing plant and 2½ per cent. on building. Taking the proportions in which these items generally occur in the block, the average rate on the whole block has been fixed at 3½ per cent." That, I submit, is the basis of the costings which we have put in.

Mr. Maloney.—The present Tariff Board is determining what is required to equate prices by a different method from the last Tariff Board. The problem of equation of prices, as far as we are concerned, is the same and we have put in evidence on the same basis.

Mr. Rahimtoola.—The difference is this, that whereas in the last Tariff Board they were free to choose whatever method they thought best in arriving at the rate of duties, in this enquiry we are limited by our terms of reference simply to equate prices of similar goods.

Mr. Maloney.—Yes.

Mr. Rahimtoola.—Before I discuss the supplementary representation, I would like to understand more clearly the point raised by you in your fresh memorandum which was just read out where you say "it can definitely be proved that the duties now in force have not enabled Indian mills to realise prices higher than fair selling prices for their manufacture. Nor can it be proved—as we shall shortly show—that, as stated by them, the effect of the duties is to raise the prices of goods to the consumer". One of the most important points which has been raised before us is regarding the rapid increase in the production of mill goods and a substantial decrease in imported goods on which the case for the reduction of duties has been based. I would like, therefore to go a little more into details. From the figures in Table I of the Lancashire Delegation's written statement for consumption per head in yards and the amount available for consumption shows that everything that is produced is consumed by the population in that year.

Sir Joseph.—I think in all these tables in the Review of India it has been pointed out that stocks are the one thing which have not been taken into consideration.

Mr. Rahimtoola.—Our attention was drawn to this aspect of the question by the Madras Chamber of Commerce and therefore I asked you whether this will give a correct idea as to the consumption per head when it takes for granted that all that was produced was consumed.

Sir Joseph.—Our figures are different and while these can be confirmed. I do not challenge these figures.

Mr. Rahimtoola.—The Madras Chamber of Commerce do not agree. They said we must take a series of years and average it out in order to get the consumption per head.

Sir Joseph.—The consumption per head taken there is roughly correct although we don't admit that all that was produced was consumed.

Mr. Rahimtoola.—I think your contention is that the realised prices of mills at present are such that they do not give the industry the overhead charges generally included in the fair selling price.

Sir Joseph.—Yes.

Mr. Rahimtoola.—How do you account for this large increase in the mill production?

Sir Joseph.—The population of India has increased since 1912-13 from 315 millions to 366 millions, an increase of 50 million people.

Mr. Rahimtoola.—That means that the mill industry became philanthropic?

Sir Joseph.—It does not mean that.

Mr. Rahimtoola.—I am asking you about increased production as justified by your losses. You told me that the prices realised have resulted in losses to the industry and that was the reason why you were not able to get what is known as a "fair selling price". Protection was granted to the cotton textile industry in 1931 though the duties were not called protective. You are already aware that since 10th of September, 1931, the duties on cotton goods are the same as they are to-day.

Sir Hormasji.—This is the natural development which is expected in all industries.

Mr. Rahimtoola.—But the natural development must have some limit when the industry is incurring losses?

Sir Hormasji.—What is happening in the Indian textile industry to-day is nothing unusual at all. It happens in every industry: losses have no definite relation to production. I can point out instances of other industries in other countries. Here is an enormous home market which has got to be supplied and whether you are going to do it at a loss or a profit does not necessarily enter into the calculation of what you are going to produce. Mills are growing up in various centres, which enjoy special advantages such as close proximity to the raw material, proximity to the consuming centre—and that is what adds to the production of the country. But that does not by any means controvert the statement which cannot be challenged that the industry has been making losses in all these years in which expansion has taken place.

Mr. Rahimtoola.—I can't understand how you can expect me to believe that the industry is making losses when there is a considerable expansion in the production of goods.

Sir Hormasji.—The question of production has not got such a close relation to the question of losses as you seem to imagine. After all when you want to assess whether our statements with regard to losses are correct you have got to proceed upon other bases. We are prepared to give you facts and figures that would establish the losses. The test that you apply is not the right one.

Mr. Rahimtoola.—What is the conclusion you wish us to draw from the reduction in imports. If the question of reduction of imports has to be considered it must be presumed that protection has become successful. You will agree that if the protection granted to the industry is adequate then imports must fall which is a natural phenomena. We find that the imports from United Kingdom have fallen and still you have said that the industry has not been able to make any profit at the same time the mill production has increased.

Sir Joseph.—If the protection is to be effective imports must fall.

Mr. Rahimtoola.—And if imports fall the protection must be regarded as successful.

Sir Joseph.—You must remember that when protection is given it is given for a wide purpose and where, as you have in the cotton textile industry, given protection against dumping originally and where the industry is trying to get—although your imports have declined—from one class to another, losses will probably be made as they have been made. If you simply give protection on the basis that every mill in India is financed on scientific basis and built on scientific basis

Mr. Rahimtoola.—We give protection only to the reasonably efficient mills. We take their costings into consideration and after examining the costings of individual mills we try to work an average in arriving at a fair selling price. Therefore we are not giving protection to that part of the industry which does not deserve protection.

Sir Joseph.—It is true. Your question is why if imports are declining, on the theory that protection is effective, mills are making losses?

Mr. Rahimtoola.—I say it can be presumed, when imports have declined to the extent that they have done, that the protection has become successful.

Sir Joseph.—If you see the results on the Bombay mills, it is not successful. It cannot be presumed to be effective taking the condition of the Bombay mill industry.

Mr. Rahimtoola.—That is why I am asking you to tell us the reasons, for this state of affairs since May, 1934, unless you say that the protection was not adequate.

Sir Joseph.—I don't think the figures show that there is a decline in imports.

Mr. Rahimtoola.—I said identical duties were in force since 1931.

President.—I can appreciate your difficulties. In trying to prevent the import of goods it is immaterial as far as duty is concerned whether you call it a revenue duty or a protective duty. The effect is bound to be the same.

Sir Joseph.—I have not followed the question put by Mr. Fazal Rahimtoola.

Mr. Rahimtoola.—I am trying to draw your attention to the decline in the figures of import since 1930-31. Unless you maintain that I cannot take up my stand since September, 1931, because the duties then were revenue and that there is distinct difference between the two though the rates may be the same and that the only period I can review is from May, 1934.

Sir Joseph.—In 1930-31 imports from United Kingdom were 383,498, in 1931-32, 597,190, then a decline in 1933-34 and an increase in 1934-35.

Mr. Rahimtoola.—Your point is that since 1931 there has not been a decline?

Sir Joseph.—There has been a decline in 1933-34 but in 1934-35 it was 561,632 against 383,498 in 1931.

Mr. Rahimtoola.—Don't you attach some importance to the decline in 1930-31 and 1931-32?

Sir Joseph.—You had different circumstances then; one was the world-wide depression and the other was that it was the year of the boycott.

Mr. Rahimtoola.—That means that in those years they declined owing to special circumstances. I was told that the latest figures were 500 millions in 1934-35.

Sir Joseph.—In 1933-34 it was 400 millions and 300 millions in 9 months of 1935-36. Then again we have not got the import figures through the Kathiawar ports and I understand a considerable quantity is being shipped through those ports.

Mr. Rahimtoola.—Could you give us those figures?

Mr. Maloney.—I can give you figures for Kathiawar but not for other Indian States.

Mr. Rahimtoola.—Could you not get the figures from the Government of India statistics?

Mr. Maloney.—I can give it to you from the Government of India statistics for the Kathiawar ports.

Mr. Rahimtoola.—May I refer now to your representation where you say "The real protection afforded by these duties has been seriously affected by the cumulative effects of the undermentioned duties imposed between 1931 and 1935".

Sir Joseph.—Yes.

Mr. Rahimtoola.—Can you work out in percentages and give it to me?

Sir Joseph.—We have got more incidental costs to put in. We can give you a statement showing the percentages.

Mr. Rahimtoola.—I will be quite satisfied if you will forward it to the Board.

Sir Joseph.—For 38 twist the duty comes to 6.5 per cent. in one of our mills, but I will give you a series of costings in a few days.

Mr. Rahimtoola.—Have you taken into consideration the additions which have to be made in costings due to these additional duties?

Sir Joseph.—In the case of the duty on raw cotton, it is about 5.5 per cent. on 38 twist.

Mr. Rahimtoola.—I only want you to confine yourself to such of the goods as are competing with the United Kingdom. Take them into consideration in giving those figures.

Sir Joseph.—I will work that out.

Mr. Rahimtoola.—You say: "Dissimilarities between United Kingdom and Indian goods are also due to the fact that many Indian mills are not as yet equipped to produce certain of the special finishes found in a number of lines imported from the United Kingdom"

Sir Joseph.—That is the primary reason.

Mr. Rahimtoola.—Is it a very heavy capital expenditure?

Sir Joseph.—Very.

Mr. Rahimtoola.—Can you give me an approximate idea as to what it will be?

Sir Joseph.—If I may say so, it is too broad a question to reply to. You mean for the industry or for a mill?

Mr. Rahimtoola.—I am talking of a mill.

Sir Joseph.—You have to tell me something more.

Mr. Rahimtoola.—I am only confining myself to the economic unit you have given us namely 1,000 looms and about 40,000 spindles. I want to know whether India is not fully equipped to produce similar goods as compared to United Kingdom goods in the matter of finish and dyeing.

Sir Joseph.—You cannot expect me to give an intelligent reply unless you give me an idea as to what the plant is going to finish.

Mr. Rahimtoola.—I am now trying to understand what exactly was in your mind when you made this point. It is evident that you have taken something into consideration in arriving at the decision that this is the defect of the present Indian Textile industry.

Sir Joseph.—Would you like me to give the cost of a finishing plant? I will give it to you. I want notice of that.

Mr. Rahimtoola.—I don't want it at the spur of the moment. Take the unit as you have given of 40 spindles to a loom.

Sir Joseph.—The difficulty is what sort of cloth you want to finish. The average mill has its finishing for the average cloth. What we are referring to here is that certain specialised cloths are realising special prices because of their peculiar finish and the treatment they are receiving in the finishing process and it is in this trade which the Bombay mills are attempting to expand.

Mr. Stones.—Let us take schreinered goods which is a very recent development. In India we have not the necessary auxiliary processes to engrave rollers for schreiner calenders. In Great Britain it is an industry of long standing and we are compelled to send to Europe for recutting worn out calender bowls, plants for which we haven't at present available in India. This results in abnormal costs as compared with our foreign competitors who have an industry of sufficient size to warrant the installation of a plant for cutting schreiner calender bowls.

Mr. Rahimtoola.—Are there many mills using schreiner calenders?

Mr. Stones.—We put in our first machine 3 years ago and now have 3 machines working. Two Ahmedabad mills are also negotiating with a view to installing such machines.

Mr. Rahimtoola.—The reason why I am asking this question is that it has been argued before us that there are certain classes of United Kingdom styles which are neither directly nor indirectly competing with Indian mill made goods and I want to know whether the superior finish would be one of the criteria to exclude it from the protection list. That is the reason why I am asking you these questions.

Mr. Stones.—India has made progress in the last few years, but she has not developed the super specialities such as the finish to prevent shrinking.

Negotiations are in progress for the purchase of a plant to prevent shrinking, but the demand must be big enough to permit us putting up big money for the development of finishing processes if I may be pardoned. Messrs. Binny and Company have purchased the total patent process for the production of crease proof cloths. Other super finishing processes are in process of installation in India such as mercerising and similar finishes, etc. I don't think there are any goods except a few specially finished goods which are not capable of being made in India. In small quantities we are attempting to manufacture most kinds of cloth and these processes will continue to grow if the industry is assured of ample protection for a sufficiently long period to enable us to recoup the money spent in purchasing the machines for these processes.

Mr. Rahimtoola.—At present they are competing with your mill made goods.

Mr. Stones.—In view of the terms of reference our difficulty is to bring in the question of Japanese prices. I think we and our Lancashire friends will agree that one cause of their trouble and our own trouble is the low prices at which Japanese goods are imported into this country. We are increasing our plants and going ahead. Some years ago people might have said the mercerised were not made in India, but to-day many mills have mercerising plants.

President.—May I say from what I have seen that you are very far advanced compared to the average mill.

Mr. Stones.—Yes, but not at a profit, but we believe that there is a future for such goods in India.

President.—All pioneers have to make losses.

Mr. Stones.—Yes.

Sir Joseph.—You want me to give you the costings now?

Mr. Rahimtoola.—No. I am only drawing your attention to the point made by the Lancashire Delegation in their memorandum No. II where they say: "The trade which the United Kingdom has retained has been for the most part in goods which possessed some special attributes of quality, appearance, feel or durability" I only want to know how the Indian goods are compared having regard to these four factors on which the United Kingdom say that they have not been able to retain their trade in India.

Sir Joseph.—35 samples which I have put in of Lancashire goods and the Indian made goods which we consider comparable will give you a splendid idea of the progress that we are making slowly and show that we have achieved something up to a point.

Mr. Rahimtoola.—May I say that goods of this character are in direct competition.

Sir Joseph.—It is direct. There are certain lines of Lancashire goods which have got a great name in this market and which are coming in.

Mr. Rahimtoola.—Which do not compete with the Indian mill made goods.

Sir Joseph.—Which we can't touch at all.

Mr. Rahimtoola.—You are referring me to the comparable qualities that you have supplied to the Board in your Appendix D. Have you taken into consideration all the points that you have mentioned in your fresh statement which you have given us in estimating the relative value of the article?

Mr. Stones.—They are costed actually on the very cloth. There is no question of variation at all. It is actually costed on that cloth, not any variations just as it stands except under Indian conditions.

President.—Did you actually make the cloth?

Mr. Stones.—We have not actually made it.

President.—What actually have you done?

Mr. Stones.—In this one the same as what Lancashire people have done with Indian made goods.

President.—In both cases they have made theoretical costings.

Mr. Stones.—Yes and subject to criticisms on both sides.

Mr. Rahimtoola.—I would like to ask a few questions about these costings?

Mr. Stones.—Yes.

Mr. Rahimtoola.—Have you taken the question of finish into consideration?

Mr. Stones.—That has been assessed by our experts.

Mr. Rahimtoola.—You have put certain value over and above the manufacturing costs as the cost of finish.

Sir Joseph.—I think if you refer to detailed costings in Schedule D, you will find a note explaining that.

President.—You have told us that it should be treated in a particular way.

Mr. Rahimtoola.—I shall discuss this question when we examine you in camera.

Sir Joseph.—The finish is allowed for in our costings.

Mr. Rahimtoola.—When you are giving me the costings of United Kingdom goods, that point must be taken into consideration in order to arrive at the costings of comparable qualities in your mills.

Sir Joseph.—That is perfectly true.

Mr. Rahimtoola.—Your point of view when you are giving these costings, as I understand, is that there is no inherent disability of the Indian Textile Industry to manufacture these goods, but that you are not able to do so on account of the price factor. What is the point of view in giving the costings of United Kingdom goods which have not been manufactured in India? Do you desire that we should base our duties on these costings?

Sir Joseph.—We have no alternative. If we are meeting in the markets cloths which are imported from the United Kingdom and we want to enter into that business, we must first of all cost them out and see if we can compete in price. Here is a range of cloths taken from the market of goods which are coming in. Here are our costs worked out on basis which are subject to a discussion and as we submit, we can't compete at those prices.

Mr. Rahimtoola.—I have not made myself clear. My point is that the object of giving these costings is that given an adequate protection, the Indian Textile industry is in a position to manufacture all these goods.

Sir Joseph.—That is so.

Mr. Rahimtoola.—That is what I am asking you. You are at present unable to do on account of the cost of manufacture being high.

Sir Joseph.—Yes.

Mr. Rahimtoola.—I find you are at present making all the styles that are imported. I want to know what the difference is between the manufactured articles which have the same name namely nainsook mull shirting, etc., and still you can make some and cannot make others at a remunerative price.

Mr. Stones.—We are not able to make at fair selling prices. This is just a table brought out to assist the Board as to what would be the fair selling price of English goods—not that we can't make them. We claim that we are making many of them as will be seen from the evidence tendered by the other side. We are making them but we are making them at what we maintain is not a fair selling price.

Mr. Rahimtoola.—I am not going into the question of the fair selling price at the moment. The first question I want to ask is whether you are not manufacturing any of these qualities.

Mr. Stones.—We are. This will come in the evidence. Two of them give actual imitations—actual comparable qualities.

Mr. Rahimtoola.—Why is it then that you have given us these theoretical costings.

Sir Joseph.—These costs are based on Rs. 72 per spindle and Rs. 1,800 per loom. They are theoretical because they vary from the actual costings of a Bombay Mill to-day. But as a basis for working out our costings we have had to take a proper capitalised figure.

Mr. Rahimtoola.—Your point of view is that when you say theoretical, it is not meant in the sense in which that term is ordinarily understood. It is theoretical in the sense that you have taken into account the condition of the industry as it exists to-day.

Sir Joseph.—I do not know which way the term 'theoretical' is taken . .

Mr. Rahimtoola.—It is theoretical because you have not made them but you would like to make to be considered in arriving at the rate of duties.

Sir Joseph.—The basis of costings has been taken on a mill with a capital outlay of Rs. 72 per spindle and Rs. 1,800 per loom. We then got five mills to work out their costings and we averaged them and gave you the prices at which they could manufacture these goods. These are the figures given. Against these, we have given you a range of samples which are coming in. Further, we have given you in Schedule F our costings of goods which we are actually making. They are not identical but they are comparable lines.

Mr. Rahimtoola.—I thought you said that these were the goods which have not been manufactured by the mills.

Sir Joseph.—I do not know whether they are identical. But they are similar goods.

Mr. Maloney.—They are not identical.

Mr. Rahimtoola.—In reply to my previous question you said that they were not manufactured because of price. Now you say that they have been costed in mills which are actually manufacturing similar goods and based the fair selling price on them.

Sir Joseph.—If we make the goods exactly to the Lancashire specification, those are our costings. In Schedule F we have given you the costings of cloths which we are manufacturing and which are similar to some of the imported cloths.

Mr. Rahimtoola.—Will you please refer to the cloth comparison statement which you just now gave us requesting the Board to take into consideration various factors in arriving at the relative values? I want to know whether this has any reference to the terms of reference where we are asked to equate the prices of similar goods. Are they goods similarly produced or identical goods? What do you mean by the word 'similar'? I want you to explain that to me in reference to the statement submitted by you this morning.

Sir Joseph.—In our statement, we say "In estimating the relative value of the Indian article the following considerations will have to be dealt with".

Mr. Rahimtoola.—If you take all those points into consideration, would you say that they are identical?

Sir Joseph.—I don't think that there can be any case of identical goods.

Mr. Maloney.—It is not the purpose of this note to make the cloths identical but to enable you to visualise the price differences which can be justified on these grounds. The cloths are similar in construction. One cloth may be one or two inches wider. It may have two picks less. The

yarn may be two counts finer. But these cloths are similar. You can get an approximate valuation of these two cloths taking into consideration all these factors mentioned in the note.

Mr. Rahimtoola.—That is exactly my point. You want us to equate one quality against the other, after taking all these points into consideration.

Mr. Maloney.—Yes, everything must be taken into consideration.

Mr. Rahimtoola.—After taking all these into consideration, do we not arrive at more or less identical goods?

Mr. Saklatvala.—In that case, we bring these two cloths as near as possible to identical cloths.

Mr. Rahimtoola.—The 13 or 14 items you have mentioned have to be evaluated in terms of prices before we proceed to the equation.

Mr. Saklatvala.—Yes.

Mr. Rahimtoola.—There is another point which arises out of the terms of reference which you have raised in one of your representations regarding the specific and *ad valorem* duties. At least in this instance, from the wording of the terms of reference I find that the Government of India have given us some discretion in this respect.

Sir Joseph.—Could you give me the reference?

Mr. Rahimtoola.—Will you please refer to Statement 3 which contains your criticism of the Lancashire Delegation's case regarding the relative merits of specific and *ad valorem* duties? You say "Statement III is largely devoted to a discussion as to the relative merits of specific and *ad valorem* duties, an issue regarding which the Tariff Board has not been called upon to give a decision according to our interpretation of the terms of reference".

Sir Joseph.—We submit that the principle of specific and *ad valorem* duties has been accepted and that this Tariff Board have little to do with the principle which has already been accepted after discussion in the past.

Mr. Rahimtoola.—How do you interpret that with reference to the present terms of reference where we are asked to equate prices and grant adequate protection to the industry.

Sir Joseph.—The way I interpret is this. If you find that on your equation of prices we need more protection, you can move the specific duty up and increase the *ad valorem* duty and similarly if you find that we need less protection you reduce the duties.

Mr. Rahimtoola.—Your point of view is that we should stick to the system which is now in vogue, viz., specific and *ad valorem* duties on plain grey goods and *ad valorem* duties on other articles but merely increase or reduce them according to the equation we find. We cannot abolish the specific duty altogether.

Sir Joseph.—That is right.

Mr. Rahimtoola.—What particular phraseology do you take into consideration?

Sir Joseph.—The Resolution says that you should afford adequate protection and then it goes on to tell you that by adequate protection is meant duties which will equate the prices of imported goods.

Mr. Rahimtoola.—The prices can be adjusted by *ad valorem* duties as well as by specific duties.

Sir Joseph.—Yes, but the principle of specific duties is not within the four walls of your reference.

Mr. Rahimtoola.—Suppose the Board decides to recommend specific duties on articles other than plain grey goods, are the Board debarred from doing so?

Sir Joseph.—My attention is drawn to the Bombay Gazette where it is said you are to recommend on a review of present conditions and in the light of the experience of the effectiveness of the existing duties, the level

of the duties necessary to afford adequate protection to the Indian cotton textile industry. The expression is "the level of the duties necessary".

Mr. Rahimtoola.—Your interpretation is that you rely on the phrase 'level of the duties'.

Sir Joseph.—Yes.

Mr. Rahimtoola.—That means that we cannot differentiate between bordered and plain grey goods even if we like to do so. We must accept the principle and adjust the duties to the equation.

Sir Joseph.—That is my reading of the terms of reference.

Mr. Rahimtoola.—If you look at your representation you say that in arriving at the fair selling price you have made no addition in the case of Bombay mills for managing agents' commission. I would like to know the reasons why this addition has not been made.

Sir Joseph.—We submit in the first place that the managing agents' commission is not a direct charge against costings. After all, it is paid after profit has been made and consequently in arriving at a uniform basis of costings we are up against the difficulty of variations in managing agents' commission. That was the reason why we decided to leave it out.

Mr. Rahimtoola.—This point was dealt with by the previous Tariff Board report and they fixed a certain percentage.

Sir Joseph.—They allowed it to be included. But we thought that it was best to leave it out.

Mr. Rahimtoola.—You would also like this Tariff Board to leave it out.

Sir Joseph.—We don't press that. The managing agents' commission is paid out of profits. On the grounds I have just stated we have thought it advisable to leave it out altogether.

Mr. Rahimtoola.—I want a direct answer. We are now considering the question of fair selling price. In the last Tariff Board report, the managing agents' commission was taken into consideration.

Sir Joseph.—I know that.

Mr. Rahimtoola.—Do I understand that you want the managing agents' commission to be left out in the present fair selling price?

Sir Joseph.—In this case we leave out the managing agents' commission.

Mr. Rahimtoola.—In arriving at the fair selling price?

Sir Joseph.—Yes.

Mr. Rahimtoola.—Now I would like to understand why you are leaving it out. We have to discuss the same question with the other Millowners' Association. In what way are the managing agents remunerated? Do you agree to give free service to shareholders?

Sir Joseph.—Not quite that. Speaking for the Bombay Millowners' Association, the general basis of remuneration is 10 per cent. on the profits of the company. In some cases the agreements provide for a minimum commission to be paid.

Mr. Rahimtoola.—Minimum commission irrespective of profit?

Sir Joseph.—Yes, but in actual practice it will be found that in times of depression the great majority of managing agents give up their commission. In some agreements what is known as office allowance for the maintenance of the office is given. That is generally the case so far as the Bombay Millowners are concerned.

Mr. Rahimtoola.—What is the amount?

Sir Joseph.—Which amount?

Mr. Rahimtoola.—Is it a fixed office allowance?

Sir Joseph.—That may vary according to the size of the concern. Generally speaking it is Rs. 1,000 a month.

Mr. Rahimtoola.—Is that irrespective of actual office expenditure?

Sir Joseph.—Yes, but in some cases it includes the providing of the office itself. The managing agents have to provide an office. The office staff are of course a charge on the Company's revenue.

Mr. Rahimtola.—I understand that it will practically amount to a salary of the managing agents.

Sir Joseph.—Not anything like it. I should not consider that managing agents with a responsible office would think of accepting Rs. 1,000 a month as a salary.

Mr. Rahimtola.—I do not understand how managing agents can continue to work without getting anything from the Company.

Sir Joseph.—Many managing agents, as you know, have put into their businesses, specially in the Bombay Cotton Mills, their whole fortunes in the last few years.

Mr. Rahimtola.—I realise that point of view. You forget that this is a Tariff Board enquiry in which all questions of costs which are legitimate in arriving at fair selling prices are being considered. In arriving at the fair selling price, this item has been considered in the previous enquiries as one of the items to be included.

Sir Joseph.—We admit it should be included, but in our costings we have left it out.

Mr. Rahimtola.—There may be difference of opinion on this question when the Board ultimately takes a decision but I want to understand the reason why this addition has been decided to be left out in the present enquiry.

Sir Joseph.—Our reasons we have already explained. I submit the managing agents attend to their own business also; many managing agents have other operations under their control in different branches of the trade. They have sunk a lot of their fortune in the cotton textile industry and the balance sheets show how much profit the managing agents have had over the last few years.

Mr. Rahimtola.—I think you have not understood the point. Your point is that instead of managing agency commission you would like the Board to take into consideration fixed office allowances.

Sir Joseph.—I did not say that. You asked what are the terms of the managing agency agreement and I gave the details.

Mr. Rahimtola.—I did not say that. I only asked you the question how the managing agents are remunerated in case they did not get the managing agency commission and you said they get fixed office allowances and a certain percentage of it is used for office expenses.

Sir Joseph. I am afraid I have lost the trend of the question.

Mr. Rahimtola.—I want to know how the managing agents should be remunerated in the fair selling price to be arrived at and I want to know why the Millowners' Association want us to differ from the previous practice of the Tariff Board. You want us to stick to the other points but omit this point and therefore I want an explanation from you.

Sir Joseph.—We will give it later.

Mr. Rahimtola.—The Lancashire Delegation have drawn our attention to the fact that they have lost the grey trade entirely as a result of the duties which have proved excessive, specially the specific duties. I want to know whether there is any ground to show that the specific duties are excessive?

Sir Joseph.—The serious decline according to the figures I have, occurred in 1930-31 before the duties were imposed in 1930-31. The amount of plain grey in 1930-31 was 25-439 millions of yards.

Mr. Rahimtola.—In 1923-30 they were 76 million yards, in 1930-31 they were 25 millions and in 1934-35 they are only 25 million yards. But in

1930-31 there were factors which were operating which might have been responsible for the decline.

Sir Joseph.—According to these figures when the duty was imposed in 1930-31 there was no decline in the Lancashire trade 25·439 in 1930-31, 28·939 in 1931-32 and 27·1 in 1933-34.

Mr. Rahimtoola.—The 3½ annas duty on plain grey goods came in April 1930 and the boycott started simultaneously with that. How do you take 25 millions as the normal figure?

Sir Joseph.—My reply to that is this: that comparing the figures of the decline from 1929-30, which I submit is not quite the right basis, the Indian production in greys has definitely improved and it is a fact that this specific duty was imposed for a definite purpose—the definite purpose being, here was a trade which the Indian industry had only to take. We had the market at our door and the duty was definitely given for the purpose of protecting the grey trade to the mills. This is borne out by the speech of Sir George Rainy in the Legislative Assembly.

Mr. Rahimtoola.—Was there a protective duty on United Kingdom goods in 1931?

Sir Joseph.—There was a duty then.

Mr. Rahimtoola.—Was there a protective duty?

Sir Joseph.—3½ annas on plain greys.

Mr. Rahimtoola.—The point which is made in this connection is this, that the Protective Bill when introduced in 1930 did not contain any specific duties against United Kingdom goods, and I want to know whether that was fixed as a compromise or as a result of due consideration?

Sir Hormasji.—I don't think you were there, Mr. Rahimtoola. There was a conference between the Finance Member and some of the people interested who were members of the Legislative Assembly, and as a result of that conference it was felt that it was necessary in the interests of the Indian industry to extend the application of the specific duty also to the United Kingdom goods and it was by an agreement that an amendment to that effect was later moved.

Mr. Rahimtoola.—That has nothing to do with Imperial preference?

Sir Hormasji.—No. They came to the conclusion, after discussion, that there was a case for extending the specific duty to grey goods from the United Kingdom and Government accepted it later on.

Mr. Rahimtoola.—I asked you this question because this point has been raised before us and therefore I considered that it was necessary to make the point clear. I have another question to ask and that is with regard to United Kingdom styles are concerned. Are there any qualities of bleached or printed or dyed or coloured goods which are supposed to be such that they cannot be classed as coming into competition with Indian goods? You can consider the point and let us have a reply later on.

Mr. Stones.—Velveteen is the only thing that I know of, but we would like to undertake its manufacture in India.

President.—Sir Joseph, you referred in the earlier portion of your evidence to one or two paragraphs which appeared in the Times Trade and Engineering Supplement on the question of tariff agreements. I have had an opportunity during the interval of refreshing my memory and I would like to point out to you the difference between the United Kingdom and Canada and Australian Agreements and the Agreement that exists between the United Kingdom and India. The arrangement between the United Kingdom and Canada reads like this: the tariffs shall be based on the principle that the protective duties shall not exceed such a level as will give United Kingdom producers full opportunity of reasonable competition on the basis of relative costs. Now the Indian Agreement, as you are aware, reads that the measure of protection to be afforded shall be only so much as, and not more than will equate the prices of imported goods

to the fair selling prices for similar goods produced in India. You may be quite sure of the terms for if India is to be put on the same basis as Canada and Australia, the United Kingdom would be delighted, because yours appears to be a much more stringent and severe clause than that pertaining between the United Kingdom and Canada and Australia.

Sir Joseph.—Thank you.

Mr. Mudaliar.—Sir Joseph, you have put in a case on behalf of the Millowners' Association and you have further supplied us replies from time to time of various cases that have been submitted by other interested parties. My business this afternoon is merely to elucidate further information where I feel that it is necessary and to correct my own understanding of certain facts with your help.

Sir Joseph.—Yes.

Mr. Mudaliar.—Just for a moment with reference to the terms of reference—I am not going to ask you any question, but I am just asking you whether my interpretation of the points of view with reference to the terms of reference is correct and I am sure you will agree with me that the ultimate decision will have to be left to the Board as to which interpretation should be adopted. As I understand your case you say 'to recommend on a review of the present conditions and in the light of the experience of the effectiveness of the existing duties the level of duties necessary'. You point out that Sir Joseph said that at the end of the period of Indo-Lancashire Agreement a review will be made of the conditions then existing in the light of such experience as may have been gained and you point out that the experience referred to in the terms of reference can only refer to the period which has elapsed since the inauguration, if I may say so, of the Indo-Lancashire Agreement. That is to say we have to take as the starting point the date on which the Indo-Lancashire Agreement came into force, find out what the experience has been of the duties and then make a review and recommend in the light of that review.

Sir Joseph.—That is so.

Mr. Mudaliar.—The other point of view that has been put before us is this. The emphasis is laid on the phrase "existing duties". This phrase "existing duties" means duties existing from the date when they came into existence. These duties, roughly speaking, on cloth came into force on the 1st October, 1931. The effectiveness of the existing duties can only be shown with relation to something that existed before those existing duties came into effect. I am putting to you the other point of view. That is to say you can compare the effect of a certain level of duties with something which preceded which was not at the same level as the existing duties and therefore if you want a review and if you want to state what has been the effectiveness of the duties, the periods of comparison must and can only be (1) the period during which the rates of duties were as at present and (2) the period immediately preceding where the duties to any extent varied from the existing duties.

Sir Joseph.—I don't quite read it that way.

Mr. Mudaliar.—The very words are reproduced in the Resolution of the Government of India. I have already pointed out to you that you emphasise "in the light of such experience as may have been gained". That "may have been gained" can only have relation to the future and not to the past. That is your point.

Sir Hormasji.—One of the reasons why I submitted that this period which Sir Joseph Bhore talked of was the period subsequent to the grant of protection in 1934 and that is it might have so happened that after protection came into being the level of duties might have come down to 20 per cent. and a new set of circumstances would have then arisen, because it has been provided for in the Act that after the first surcharge went off, the existing level of duties would be 20 per cent.

Mr. Mudaliar.—I don't think that it was provided in the Act.

Sir Hormasji.—I think it was given statutory recognition.

Mr. Mudaliar.—That part of it was not embodied in the Statute.

Sir Hormasji.—Quoting from the record of the debate in the Legislative Assembly "The tariff rates on British goods will remain in force up to two years in accordance with the terms of the Agreement between the Lancashire Delegation and the Millowners' Association of Bombay. That is the present rate of 25 per cent. *ad valorem* or 4½ annas per lb. on plain grey goods and 25 per cent. *ad valorem* on others will continue during this period until the second surcharge comes off. If and when this happens the duty will be reduced to 20 per cent. or 3½ annas per lb. on plain grey goods and 20 per cent. *ad valorem* on other goods."

Mr. Mudaliar.—Sir Joseph Bhore was explaining the Lancashire Agreement. I am suggesting to you that in the Cotton Textile Amendment Protection Act there is no provision with reference to that.

Sir Hormasji.—There is a definite statement—and it supports what I have urged just now in regard to the basis of protection given—if one of the surcharges came off, the operative duty would not be 25 per cent or 4½ annas but 20 per cent. or 3½ annas. So, that strengthens my contention. That what was intended was the question of the effectiveness of the duties after the Protection Act came into being, because the whole situation would have been changed if there had been a 20 per cent. duty, for instance. In the Statement of Objects and Reasons it is stated: "The denunciation of the Indo-Japanese Trade Convention and the subsequent conclusion of a new trade agreement with Japan together with the unofficial agreement between representatives of the Indian and United Kingdom textile industries have introduced entirely new factors into the situation. The present Bill gives statutory effect to the aforementioned agreements which the Government of India accept as a satisfactory basis for a protective scheme subject to any re-adjustment which may be found necessary on the expiry of these agreements." I am almost certain that there must have been a provision. The speech is there. I will give you the reference if I can find out. It is very definite that even during this period the duty would be 20 per cent. if certain things came about.

Mr. Mudaliar.—That is so. Your interpretation further is with reference to the level of duties that it can only refer to the scaling up and down and not to the principle.

Sir Hormasji.—The principle in regard to plain grey goods is that there was to be a specific duty in addition or as an alternative to the *ad valorem* duty whichever was higher. That was the basis and our contention naturally would be on phraseology used in the terms of reference. When they talk of the level of duties, they mean the scaling up and down which the Board has to consider.

Mr. Mudaliar.—You realise that with regard to plain grey goods, it is an alternative duty. If, for the moment, it is assumed that the specific duty is not exactly equivalent to the *ad valorem* rate, how would you scale down between these two?

Sir Hormasji.—The specific duty, as you know very well, was intended as a protection to the industry in the event of falling prices when the specific duty would help to reduce the vulnerability of the industry, so to speak. That was why the specific duty was imposed. When we go higher up in the scale, the specific duty would be lower than the *ad valorem* duty and would not come into operation. It was given at a time when it was most needed.

Mr. Mudaliar.—May I understand your suggestion to be this: when we are equating prices with reference to particular class of goods, plain goods, we must equate it only with reference to the specific duty and not co-relate it with an equivalent *ad valorem* duty on that basis.

Sir Hormasji.—There would be no alternative duty.

Mr. Mudaliar.—Leave the *ad valorem* duty as it is at present.

Sir Hormasji.—Supposing in the event of prices moving up, the specific duty would become inoperative and in the event of prices coming down, the *ad valorem* duty would become ineffective.

Mr. Mudaliar.—I do not know whether I have made myself clear. If, for the moment, it is assumed that with reference to certain kinds of plain grey goods the specific duty and the *ad valorem* duty do not operate in the same way. That is to say there is no corresponding relationship between the rate of specific duty and the rate of *ad valorem* duty which is existing. Do you suggest that when we level up or level down, they should be brought to adjustment or the disparity should be left as it is?

Sir Hormasji.—On the spur of the moment the only answer that I can give you is this that you have to assess the difference in terms of the *ad valorem* duty and at the same time see to it that by a proper specific duty the quantum of protection is not reduced under certain eventualities, just as was done when the specific duty was first imposed. That is the principle.

Mr. Mudaliar.—I don't know how we are going to work it out in practice.

Sir Hormasji.—If I may venture a suggestion, if you put before us a specific instance and ask us, how we propose to deal with it, we should be happy to help you.

Mr. Mudaliar.—As you are strict in interpreting the terms of reference, let me go down a few lines further: "By adequate protection is meant duties which will equate the prices of imported goods". Imported goods you have explained to me as goods which are actually being imported at the time into India.

Sir Hormasji.—Yes.

Mr. Mudaliar.—"To the fair selling prices for similar goods produced in India." Would you also say goods which are really being produced in India?

Sir Hormasji.—Not in every case.

Mr. Mudaliar.—Why not.

Sir Joseph.—The very object of protection is to enable us to move on to different classes of goods and to diversify our production. That is one of the objects with which protection is given.

Mr. Mudaliar.—Can you say 'which can be reasonably produced within the period of protection now allowed'? Would you put it that way?

Sir Joseph.—I would not put it that way. I would put it as I have said.

Mr. Mudaliar.—Would you suggest that goods produced in India means goods produced at the time and goods which may be produced within the period of protection?

Sir Joseph.—When we come down to practice, we come back to similar goods which are being produced to-day. That is what we mean by the word 'similar'. That is what we have done in presenting our case. We have taken goods which are actually being produced and goods which are actually coming into the market from the United Kingdom.

President.—We are driven back to this question of getting comparisons by sample and equating by differences. We can only deal with them as they are at the moment. Just as you will be making different cloths, Lancashire would be sending out different cloths and it is to that extent you propose to say that the equation will be based on to-day's comparison which is all that is available to us at the present moment.

Sir Joseph.—Yes.

Mr. Mudaliar.—Take grey plain cloth. You say: "For many years, the United Kingdom has not supplied coarse count grey cloth in anything but small quantities to the Indian market, and her position in respect of coarse grey plain goods has not been adversely affected either by the *ad valorem* or specific duties". I want to understand that properly.

Sir Joseph.—If there are no goods coming in, it doesn't matter what the level of duties is.

Mr. Mudaliar.—If a man has got water flowing above his nose, it does not matter how much higher it flows.

Sir Joseph.—Yes.

Mr. Mudaliar.—Does not that imply that the level of duties is too high? I wish you explain that.

Sir Joseph.—I cannot do better than refer you to the Fiscal Commission on which the whole basis of protection is granted. Paragraph 98 is rather relevant to the point you have raised and it is this: "Another class of industry which should be regarded with a favourable eye is that in which there is a probability that in course of time the whole needs of the country could be supplied by the home production. In the case of such an industry the burden on the consumer determines automatically. As soon as the foreign imports cease to come in, the price ceases to be regulated by the foreign price *plus* the import duty. It is regulated by the internal competition; and even though the duty may remain in the customs schedule, it becomes practically inoperative, and fixes a maximum limit to the height to which home prices may rise—a limit which is never likely to come into effective operation unless the producers form a monopolistic combine or the home industry passed through a period of exceptional distress." That, I submit, is an important paragraph, dealing as it does with the basis of protection and the case to-day is that although the duty is still on the statute book it is not operative in so far as coarse count cloths are concerned.

Mr. Mudaliar.—Referring back to our terms of reference, if for the moment you exclude the idea that your current prices are below fair selling prices, we have been asked to equate prices and therefore that very assumption proves that there is a big hiatus between current prices and the prices of imported goods.

Sir Joseph.—Not necessarily. You come back to the point that imported goods are goods which have been imported against goods which we are making.

Mr. Mudaliar.—In your supplementary statement you give us fair selling prices of a number of United Kingdom articles. I have already expressed my view that while the taking of Indian goods and costing them by Lancashire will not lead us anywhere for more than one reason, there may be some justification for your taking the United Kingdom goods and working out their costs because after all you are trying to produce similar goods from day to day in this market which are comparable. May I know what this average fair selling price means? I understood you to say this morning that you took an economic unit and worked out the average fair selling prices. At the same time you said that you asked 5 mills to work out the costings. I wish you would explain what exactly happened in this case.

Mr. Stones.—Actually we decided to follow the same basis as was followed by the previous Tariff Board. Equating to today's conditions of machinery, the cost would be Rs. 72 per spindle and Rs. 1,800 per loom. On that basis all the 5 mills' costings would be on standard figures with relation to overheads. We adopted those figures. Outside of that, each mill has to go on its own expenses, in respect of wages, etc., and the individual differences that occur as between one mill and another.

Mr. Mudaliar.—May I take it then that this is how you worked it out. I want to get it quite clear in my mind. If I am wrong, please correct me. So far as the capital costs are concerned, each of these 5 mills took the costings on the basis of Rs. 72 per spindle and Rs. 1,800 per loom for that economic unit.

Mr. Stones.—Yes.

Mr. Mudaliar.—Each of these mills took its own price of raw cotton?

Mr. Stones.—No.

Mr. Mudaliar.—Was that a common factor?

Mr. Stones.—Yes.

Mr. Mudaliar.—As regards depreciation, they put simply the percentage allowance on that economic factor which must also be a common factor.

Mr. Stones.—Yes.

Mr. Mudaliar.—They took the working capital as one-third of the block account.

Mr. Stones.—Yes.

Mr. Mudaliar.—That was also a common factor.

Mr. Stones.—Yes.

Mr. Mudaliar.—They took the interest on capital.

Mr. Stones.—Yes.

Mr. Mudaliar.—That must also be a common factor.

Mr. Stones.—Yes.

Mr. Mudaliar.—Where the variation came in was in manufacturing charges.

Mr. Stones.—In working conditions.

Mr. Mudaliar.—In power, fuel, labour charges, and things like that?

Mr. Stones.—Yes.

Mr. Mudaliar.—On that basis they worked out and these are the results which you have got.

Mr. Stones.—Yes.

Mr. Mudaliar.—A model mill with that equipment, with these depreciation charges and all, would produce cloth on these costings. That is what it comes to.

Mr. Stones.—No. That is a different proposition again. The model mill may have got higher productions and reduced costs. The actual costs are shewn in another statement. There each mill worked out on their own basis. These costs are theoretical in the first place in the sense that we have not made the cloth and in the second place they are theoretical in the sense that the overhead charges are based on the same standard in respect of cotton, cost of building, etc. These will have to be modified, being dependent upon the size of the mill. You have against that the actual working costs of a particular cloth produced to compete with Lancashire cloths sent in by these people on each mill's working conditions.

Mr. Mudaliar.—Do you refer to Appendix F?

Mr. Stones.—Yes.

Mr. Mudaliar.—I am now confining myself to this and asking you where this leads to. Take the items Nos. 1 to 6. These are plain grey goods. You have worked out the fair selling prices of these things and you have given them in annas in the last column as against the wholesale market prices which include the landed prices, duty and all commissions.

Sir Joseph.—That is right.

Mr. Mudaliar.—Taking each item there, I find that if we are to equate the prices, as we are invited to do, so far as the first item is concerned, you want a duty of 44·3 per cent. *ad valorem*. I have taken the *ad valorem* duty in this case because I understand at the present, so far as plain grey goods are concerned, the specific duty is not operative and the *ad valorem* duty is being insisted upon by the Customs authorities. On the first item it comes to 44·3 per cent., on the second group of items, 52·3 per cent.; on the 3rd 76 per cent. and on the last, 87·8 per cent. and I find, taking that group and averaging it out, as you would, when you want to find out the actual measure of protection needed, you want protection on grey goods to the extent of 53 per cent. as against Lancashire.

Sir Joseph.—That is worked out on the basis of present costs?

Mr. Mudaliar.—Yes. Going down the list, taking the grey bordered dhooties, the *ad valorem* duty works out to a very high figure. Taking the average, I find that a duty of 72 per cent. is required to protect these goods.

Sir Joseph.—That is what our costing show.

Mr. Mudaliar.—On the whole, taking the average kind—plain and bordered grey—you want a duty of 53 per cent. Coming to bleached and white goods which are obviously under *ad valorem*, I find that on an average you require 43 per cent. As a matter of fact, you are not asking for a duty anywhere near that.

Sir Joseph.—No.

Mr. Mudaliar.—And yet if we are to go strictly by the terms of reference and accept these figures, these are the duties which we must recommend.

Sir Joseph.—As I said before, there is another side to our case which is probably more important in respect of these costings, the basis of which has been explained, that is, it shows what is necessary to equate the prices.

Mr. Mudaliar.—Therefore I put it to you that there is some fallacy somewhere where the duties required are somewhere about 50 per cent. and 75 per cent., and you practical gentlemen come and say that in most of these cases 25 per cent. will do. There is some fallacy somewhere.

Mr. Stones.—The fallacy is definitely there, and that is why the second one must be taken into consideration. You have asked us to take a new mill with Rs. 72 per spindle and Rs. 1,800 per loom and to work out the costings on that basis.

President.—We did not.

Mr. Stones.—We have worked them out to give you the costings and on the other side we have given you the actual working conditions of the five mills so that you can evaluate the differences and get to a basis. If you wish it, we can also work out a theoretical production on a theoretical figure, but we will be getting too theoretical.

Mr. Mudaliar.—Let me take one side of the case at a time. I am coming to your practical figures. I am now on the theoretical costings on your economic unit. The result of these costings and the result of the average selling prices that you have worked out points out that the rate of duty that you expect is somewhere between 50 and 75 per cent. which is certainly not the rate of duty or anywhere near it that you are asking?

Mr. Maloney.—There may be a mistake in your calculations. I do not want to argue the point about the amount of duty based on these calculations, but I would like to check them.

Mr. Mudaliar.—I have actually worked out and found that the amount of duty you require is as high as stated by me. There may be a mistake because I had to work it out very hurriedly in the interval. In any case, on the basis of the economic unit and on the basis of the average selling prices, you will find that the duty required to equate the prices is very much higher than anything that you are prepared to suggest to the Tariff Board. Therefore is it an unfair conclusion to say that if you take an economic unit and put into it the capital that is required and the working capital that is necessary and calculate the interest and depreciation, you would get a very fallacious figure which ought not to guide the Tariff Board?

Mr. Stones.—This can only be read in conjunction with the other. Obviously if you are going to have a theoretical new mill, you must take your production also on a theoretical basis.

President.—We have not asked you to take a theoretical mill. We have never mentioned a theoretical mill from beginning to end. We understood that each of the parties concerned would put up their case as you have been good enough to do and in addition to that for our own enlightenment on certain points and to make sure that we would get them, we decided that a particular questionnaire should be sent out and answers given to them.

You have been good enough to send us your replies. Please don't say that anybody connected with the Special Tariff Board ever suggested to you the lines on which you should make out your case.

Mr. Stones.—These are prepared to assist the Board.

Mr. Mudaliar.—Shall I suggest that this is what you are not asking?

Sir. Joseph.—I don't think there is anything in our representation for which we ask 50 per cent. protection.

Mr. Mudaliar.—What I therefore suggest is that if you want to get at the fair selling price of your goods, you should not take an economic unit and work out your costings. On the other hand you should really take the position of the existing mills as they are and find out the costs, and then arrive at your average fair selling price.

Sir Joseph.—That is not practicable, and that has been pointed out by the previous Tariff Board. Owing to great variations of capitalisation and owing to the distressed times which the textile industry not only in India but throughout the world has been passing through in the last few years, owing to such a wide variation of capitalisation in all its phases, whether it is fixed capital or working capital, we feel that we could not put up—a few people could individually put up—a well reasoned case for a number of mills where conditions fluctuate so much. By that I mean some mills are under capitalised in Bombay and working on borrowed money. Certain other mills wrote up their capital in the boom period and that capital is not now there. If we submitted theoretical costings under these conditions, we should be called to book and told “Why don't you follow the principle followed by the previous Tariff Board? They enquired into your industry's case for protection”. I am giving you another side of the case.

President.—The argument is right regarding the difference that capital makes. Does not that equally apply to the costings? The costings of a mill which is economically run should be very much different from those of a mill which is not economically run.

Sir Joseph.—We consider that we have taken reasonably efficient mills for the purpose of all our costings.

President.—We will go into the details afterwards.

Sir Joseph.—This has also been done in other countries as can be borne out by our friends from Lancashire. In recent years they tried to bring about selling arrangements or price fixation arrangements to stop indiscriminate price cutting amongst themselves and their basis—and they have to arrive at a common basis—had been in the spinning section to fix the cost per spindle as we have done and then to decide on a basis for their capital—their borrowed capital. They fixed depreciation on that and then tried to arrive at a basis whereby subject to fluctuations they would all be selling at one price. Lancashire did not take the costings of individual mills many of which, as you know, would have pretty high capital costs by reason of the fact that they had not written down their capital. We have got the same in Bombay. We are not different from Lancashire in that respect—perhaps not quite so bad as Lancashire. We have not written down capital, and many mills are under-capitalised.

President.—I am aware of that reference to Lancashire and we will refer to that later. But don't they add something as overhead to equate prices?

Sir Joseph.—The common basis they took was the cost per spindle for different counts and then they allowed so much for stock in trade; then they allowed a certain amount of working capital—certain amount of borrowed capital—with interest at 6 per cent.; then there was depreciation, and then there was power. The raw material does not matter because it is subject to fluctuations.

President.—Could you put that in?

Sir Joseph.—Yes, to illustrate my point. When you are working on a big problem like protection, in whatever phase it is, you cannot arrive at

any figures for comparison unless you have a basis which is common to all. That is fundamental. The matter of working efficiency is analogous. We apply that to efficiently run mills in Bombay.

Mr. Mudaliar.—I have been told that this is not a substantive protection enquiry and that we have a very limited scope in making this investigation. Where a substantive enquiry for protection is being made very often the argument is that new capital must be invited or cajoled into coming into the industry. In that case, I can understand an economic unit being newly constructed and prices arrived at on that basis. You don't suggest that you are anxiously welcoming the putting up of more spinning and weaving mills, do you?

Sir Joseph.—Personally, no.

Mr. Mudaliar.—In that case are we not right in taking the actual conditions of the industry whatever they may be, in averaging them, the actual circumstances of the mills rather than this theoretical economic unit?

Sir Joseph.—I am quite prepared to accept that: our case rests actually on the 35 goods we have put in there.

Mr. Mudaliar.—One general question about your realised prices and cost prices. I thought when I came into the Board that the enquiry was going to be a simple one but the longer I study it the more complicated it is becoming! One of the greatest complications is because of the obvious lag between realised prices and fair selling prices which you have pointed out repeatedly. Will you kindly tell me what are all the causes which are producing this great lag between the fair selling prices and realised prices?

Sir Joseph.—Intense competition both external and in a smaller degree internal.

Mr. Mudaliar.—Take the external competition first. You say it is in a small degree internal and the major portion of the causes is external competition. Will you tell me what is the effect of external competition with respect to other countries?

Sir Joseph.—May I give you one example to illustrate the point? Japanese 32s yarn is being sold in the market today at 9½ annas per lb. if we want to make 32s yarn our cotton alone costs us today 7½ annas. Now, it is wellknown to industrialists that it is not always the quantity of goods produced by Indian mills which determines the price. We are getting from Japan intense competition not only in yarns but in piecegoods and this competition brings down our internal prices which in turn must create internal competition amongst ourselves. The biggest factor in this market to-day is the low price at which the Japanese are selling their goods.

Mr. Mudaliar.—Take a particular kind of goods and deal with the several causes in relation to different kinds of goods. Take for example your bulk production which is undoubtedly grey goods.

Sir Joseph.—If you speak of the bulk as grey, including whites, I think that is so.

Mr. Mudaliar.—With reference to grey goods you have already said that competition from the United Kingdom is very limited in quantity. Do you suggest that the price is affecting your price?

Sir Joseph.—The price would affect us with any variation in duties because what you get from Lancashire, let us say, in dhoties are of a finer quality than our samples and with a slight difference the consumer will buy rather the finer dhoti than our Indian dhoti.

Mr. Mudaliar.—At the existing level of duties you would not ascribe to the Lancashire imports that your realisation prices are as low as they are now?

Sir Joseph.—I am quite content on that class of goods with the present duties.

Mr. Mudaliar.—I want to eliminate as many factors as possible to go down to what I would call the bedrock.

Sir Joseph.—It is this competition getting near the border line which forces down the realised prices of our goods.

Mr. Mudaliar.—Coming to Japanese goods for the moment I want to see what are the factors that are bringing down the realised prices and how much of it is due to internal competition. That is what I am after. Taking Japanese goods their imports of plain and bordered grey goods is not up to their expectations within the quota.

Mr. Maloney.—I think in the first year of any such scheme as this it would be almost impossible with such sub-divisions as the Japanese have, to send exactly 400 million yards, and the achievement of the Japanese has been remarkable seeing how closely they have made their shipments agree with their quota for British India.

Mr. Mudaliar.—I find going through the figures and taking into consideration their imports, allowing for the adjustments which are permissible within the Indo-Japanese agreement, while their bleached and coloured goods have gone up, their grey goods have fallen down and I wondered if they would have fallen if the price competition was as keen as with your grey goods or if it is your lower prices that are driving the Japanese to send another quality.

Mr. Maloney.—The answer to this is very simple: the Japanese are developing in the same way as we have developed. They are going on to finer counts and to better classes of goods and their latest productions are not the cheap grades that they started with, but printed goods and bleached goods, and they are terribly anxious to fill their quota in these superior goods rather than in grey goods. They would prefer no sub-divisions at all.

Mr. Mudaliar.—This internal competition which you refer to, is that due to overproduction or what is it due to?

Sir Joseph.—It cannot be due to overproduction because the goods are going into consumption. The stocks are lower.

Mr. Mudaliar.—If owing to internal competition the price is really lower than what the average fair selling price is, how will the higher duty help you?

Sir Joseph.—If we can obtain, with duty, fair selling prices on certain lines of goods, that duty will attract mills to move on to more profitable lines and it will help, especially in the case of the Bombay mills which owing to this intense competition have a desire to move on to finer counts to develop this line of business. The upcountry and Cawnpore mills go in for coarser counts for which there is a considerable local market.

Mr. Mudaliar.—You have referred to Sir Frank Noyce's paragraph regarding your moving to finer counts in your memorandum. That was a specific recommendation for the Bombay industry in particular. As a matter of fact what has happened since then is that Ahmedabad has been moving much more to finer counts and more rapidly in extent than you have been able to do.

Sir Joseph.—I will take a short review from this angle. In 1928-29 and I think I may say in 1930 we had a total stoppage of the Bombay mills owing to industrial strikes for 15 months. You will realise what that means to an industry. It means that your markets go firstly, and it is well known that once you lose a market it takes a considerable amount of time to recover it, and secondly that means a tremendous loss of money to the Bombay mill industry. We have been struggling since that time to get back a similar trade we lost in other centres and to develop our business in finer goods.

President.—Lancashire's position is like yours. They tried first of all, then you came in and took it from them: similarly you were pioneers here and now somebody else has taken the business from you!

Mr. Mudaliar.—With reference to the interesting statement you have given us this morning you say: "In estimating the relative value of the Indian article, the following considerations will have to be dealt with:—

Difference in the quality,
 Difference in borders or designs,
 Regularity of yarn,
 Differences in dimensions,
 Differences in the counts of warp and of weft,
 Differences in reed and pick,
 Differences in the percentage of size or filling,
 Differences in the quality and nature of the dyestuffs used,
 Differences in bleaching, and
 The added value which the Indian or the United Kingdom cloth commands by reason of its long standing in the market or by reason of its special make-up, trade mark, heading, etc."

Can you say what is the difference between Indian and United Kingdom goods?

Sir Joseph.—Yes.

Mr. Mudaliar.—We are taking two comparable qualities, one United Kingdom and one Indian. Take the first point "difference in quality of cotton used": I understood that generally speaking United Kingdom used better cotton than yours because they use American cotton for their medium and coarser and Egyptian for finer counts and therefore that difference will be in favour of United Kingdom and not yours?

Mr. Stones.—That difference can only be ascertained when you see the cloth.

Mr. Mudaliar.—Then take "difference in borders or designs". I understood that a dealer for instance equates the difference in borders according to width.

Mr. Saklatvala.—Not only according to the width but also according to the ends in the border. When we put 4 ends in a dent or five it changes the appearance of the border itself but the design looks better according to the number of ends, than where the borders are plain borders or double borders.

Mr. Mudaliar.—Then take 'Difference in dimensions'. That one can understand: than you say "Difference in the counts of warp and of weft" and "in reed and pick", "Percentage of size or filling", "Difference in quality" and "in dyestuffs used", the "Difference in bleaching" and last you come to "Difference in finish". This morning Sir Joseph put before us half a dozen cloths supposed to be made of the same counts of yarn and of the same warp and weft, and same counts of reed and pick and said that the finish of the one cloth was comparable with the finish of similar cloth. You don't compare the finish of the grey cloth with white goods. In plain grey goods—plain grey or bordered grey, is there much of finish?

Mr. Saklatvala.—Not so much in the grey as in the bleached and dyed and printed.

Mr. Mudaliar.—Does the question of finish enter into grey goods to any extent?

Mr. Saklatvala.—It is more in the size percentage. If the size percentage is different and the finish is given in the same manner there is difference in the feel.

Mr. Mudaliar.—The last item "added value which the Indian or the United Kingdom cloth commands by reason of its long standing in the market or by reason of its special make-up, trade mark, heading, etc." These apply to particular kinds not to the whole range of cloths irrespective of the manufacture? Will these special considerations of trade mark,

make-up and so on equally apply to the Indian and to the United Kingdom goods?

Mr. Saklatvala.—The United Kingdom goods have been longer established as far as finer goods are concerned.

Mr. Mudaliar.—As against that the Lancashire people or the Chambers of Commerce may say that Swadeshi feeling is working the advantage the other way. Would you not leave that out of account?

Mr. Saklatvala.—It has a definite value.

Mr. Mudaliar.—So you give great weight to it?

Mr. Maloney.—At certain times it is of enormous importance. I think it must be admitted that you can't assess the difference in textile value which is due to the value of a trade mark or a particular make-up.

Mr. Mudaliar.—Will you turn to your answers to the questionnaire. Take 'Printed goods'. Can I have an idea of the total production of printed goods in this country?

Mr. Maloney.—As regards the production of printed goods I think the only way you can frame an estimate is to take the number of machines and the number of years they have been working and get at the production. But in addition to that there is an enormous trade in hand printed goods against which our finished goods compete and the English goods compete, and against which Japanese goods also are competing.

Mr. Mudaliar.—In your analysis of the kinds of cloth produced by the Indian mills you give a heading of printed goods. What are you referring to there?

Mr. Maloney.—They are purely grey goods which we call printers.

Mr. Mudaliar.—So far as mill production is concerned can you give us any idea of the amount of printed goods produced?

Mr. Maloney.—It is very limited.

Mr. Mudaliar.—As a matter of fact facilities for this are very few. I understand that copper engraving is one of the essentials for this industry and so far there has not been any development of this?

Mr. Stones.—There is printograph engraving done in Cawnpore.

Mr. Mudaliar.—Whenever style changes you have to indent upon the United Kingdom for a separate copper plate and in that state of the industry do you visualise sufficient production to displace any quantity that is coming into the Indian market?

Mr. Stones.—I think in three years time that would be established.

Mr. Mudaliar.—Including the copper plate engraving industry?

Mr. Stones.—There are some, not very superior, but there are some printograph engravings made in Cawnpore.

Mr. Mudaliar.—On the other hand it has been suggested in one of your memoranda that we have received that the mills are not anxious to enter into this kind of new developments seeing the risk involved there as you rightly pointed out in pioneer works. At that time they were mainly concentrating on grey goods and bleached goods and it is certainly very difficult to visualise a future within the next reasonable period of 5 years when they will be sufficiently equipped for that purpose and the argument based on that is that the consumer is paying for 200 millions of printed goods with no benefit to the industry and merely a benefit to the revenue.

Mr. Stones.—That argument might be applied to most of the items 3 years ago and yet quite a number of mills are going ahead with most of the items.

Mr. Mudaliar.—So that you do see a reasonable development within a reasonable limit of time.

Mr. Stones.—Yes.

Mr. Mudaliar.—I have not understood the paragraph about sewing and darning thread. You refer to the diversification of the Industry and you say: "With this object in view one mill alone bought no less than 50 new doublers with the necessary supplementary machines feeling that the capital expenditure thereby involved would be protected as recommended by the last Tariff Board". When was this done?

Sir Joseph.—This was done about 2½ years ago.

Mr. Mudaliar.—After the last Tariff Board recommended?

Sir Joseph.—Yes, we will check it up.

Mr. Mudaliar.—I tried to check up the dates, but I could not find them. For instance you refer to the half an anna duty that came into effect on the 1st of April, 1931 when the usual surcharge was levied. The Tariff Board's Report was released very much later.

Sir Joseph.—I will give you that later.

Mr. Mudaliar.—So far as artificial silk is concerned, there is a good deal of vagueness about the representations that we have received including yours. How do you expect us to equate prices on that kind of cloth? Neither the Lancashire nor any Chambers of Commerce nor even yourself have been in a position to give sufficient data.

Sir Joseph.—That is so. It is admitted on the other side and such being the case we thought it better to leave the things as they are.

Mr. Mudaliar.—That would suit us very well?

Sir Joseph.—As you know, the bulk of the competition is from another source.

Mr. Mudaliar.—You give here in your Annual Report an interesting table about the prices of goods. I wish you would explain what it exactly means. In Table No. X you give the average wholesale price of grey unbleached goods in 1934. How do you get these average wholesale prices? What is the meaning of that statement?

Mr. Maloney.—For very many years we have been publishing quotations from week to week, or from fortnight to fortnight or from month to month and the procedure that has been followed is to take a standard cloth, wherever we have a standard—we can only deal with standard cloth—and get an estimate or quotations from the mills making that cloth from week to week. These are averaged and that is inserted in our Table here. It cannot be said that at any particular time this represents the actual price at which business is done. In a falling market the quotations would probably be 3 pies higher or more than the figure at which business was done and in a rising market it would be lower, but for statistical purposes the tables would give an impression of the trend of prices throughout the period for which figures have been given.

Mr. Mudaliar.—Take the first column, longcloth standard quality. What do you mean by standard cloth? Do you mean several mills manufacturing longcloth of this particular dimension and weight?

Mr. Maloney.—Yes.

Mr. Mudaliar.—Reed and pick?

Mr. Maloney.—Yes.

Mr. Mudaliar.—Identical counts of yarn?

Mr. Maloney.—It may be half count down but this is a standard cloth. Originally the dimensions were all standard. I don't think there is very much difference between mill and mill.

Mr. Mudaliar.—Do you mean to say that in the longcloth that is produced by the Indian mills, the physical composition is virtually identical?

Mr. Maloney.—I don't say that longcloth is always of the same construction, but for this cloth for which we give prices the construction is the same.

Mr. Mudaliar.—These are theoretical estimates from various mills of cloth which they may not be actually producing.

President.—Taking the first case you get how many quotations from different mills?

Mr. Maloney.—It depends on the cloth. They may not be making that particular cloth.

President.—Give us the biggest number.

Mr. Maloney.—I should say 6 or 7.

President.—There are 6 or 7 doing that standard longcloth.

Mr. Maloney.—Standard longcloth with particular dimensions and so on.

President.—Then you proceed to average the selling quotations subject to fluctuations which you speak of. You take 6 or 7, add them up and average them. That is the average price?

Mr. Maloney.—That is so.

Mr. Mudaliar.—Similarly with reference to shirtings, dhoties and so on.

Mr. Maloney.—When you get on to white goods, I must admit that everybody would be prepared to attempt and therefore you cannot get the same standard. When you get away from Grey, there are differences between mill and mill.

Mr. Mudaliar.—Can you tell us with reference to each of these goods how many quotations were taken by you to arrive at an average.

Mr. Maloney.—I should say in the grey it would be 4 or 5.

President.—Please send in the details during the past few months.

Mr. Maloney.—Yes.

Sir Joseph.—You want to know how many mills have quoted.

Mr. Mudaliar.—Please tell us just the practice you have adopted. There are one or two general questions which I should like to ask. Did you make allowance for the double shift working in costs? In your Appendix F you have not made any allowance for double shift working in the mills.

President.—I understand some of the mills are working double shift, some are working single shift. As regards weaving some are working single shift and some double shift. So far as I know there is no uniformity in figures.

Mr. Maloney.—The costings are actuals. When they are working double shift, they are double shift costs.

Mr. Mudaliar.—As a matter of fact in Bombay a number of mills are working double shift, 30 in all.

Sir Joseph.—Yes.

President.—The latest figures are 36 mills in Bombay and 32 in Ahmedabad.

Mr. Maloney.—May I say that it is very misleading to say that a particular number of mills are working double shift. In many instances only a portion of the mill is working double shift. The only correct way of estimating the working of double shift is to take the industry as a whole and take the number of looms and spindles which were actually working double shift for some considerable period setting off against that the number of looms and spindles which were idle. If you will do that, you will get a true picture of the extent of double shift working. It is entirely fallacious to say that 36 mills are working double shift in Bombay.

President.—I am only quoting the number. May I mention one point in that connection? In your costs we find some mills working single shift, some double shift, some 50, 50, some running weaving double shift and some single shift in spinning.

Mr. Maloney.—These are the actuals.

President.—You say we should work out on the whole industry.

Mr. Maloney.—Yes.

Mr. Mudaliar.—There is only one other question. I see that in your costings you have allowed interest at 5 per cent. instead of 6 per cent. hitherto. That obviously is due to the easy money market. Have you any views as to the amount of profit that should be allowed. You have said 8 per cent. as usual. Have you any reason to change that?

Sir Hormasji.—We don't mind 10 per cent.

President.—It is 8 per cent. *plus* income-tax and super-tax.

Sir Joseph.—When we suggest 8 per cent. return on capital, we have not included the Managing Agents' commission in that. We have to take 10 per cent. of 8 per cent. off for Managing Agents' commission and then remembering that no prudent industrialist will issue all the profits made as dividends to the shareholders, but only about 60 per cent. of the profits, the balance being taken over to reserve, we would come down to a nett return of just over 5 per cent. I submit that 5 per cent., if one looks at the returns of other industries, is a very reasonable margin. If you cast your eyes on the Bombay Stock Exchange quotations, you will see that the average yields on industrial scrips to-day are showing a return of 4½, 6½ and 6¾ per cent. I would further say that next to the Cotton Textile Industry, the biggest industry in India is the Jute Industry. If I may refer you to 'Commerce', you will find that the returns of reasonably efficient mills in the Jute Industry—we use the words 'reasonably efficient' advisedly—such as Kamarhatti and Kankanarrah are giving very big returns. (Handed in the copy of the 'Commerce' for President's perusal.)

President.—Having heard that I am amazed at your moderation.

Sir Joseph.—On our basis we did put in 8 per cent. excluding the Managing Agents' commission and remembering that we should build up reserves, we submit the nett return to the share-holders would be very much in keeping with the lower returns which are being shown in many industries apart from the Calcutta Jute Industry.

President.—I would like to ask a few questions on the same question of costs and depreciation in particular. You do say in your statement that the existing duties have assisted the industry.

Sir Joseph.—Yes.

President.—I take it generally that protection has fostered the growth of the industry and encouraged the investment of capital in it. I have seen it somewhere stated and I think it must be admitted on the face of the figures that you yourself have given us showing the extensions in recent years and the new mills in process of being launched, that the existing duties must be serving the purpose that duties usually do, namely encourage the growth of the industry and attract the capital.

Sir Joseph.—I don't think that the expansion of the industry in India has been as rapid as it has been in other Eastern countries. We also pointed out in one of our notes, unfortunately for our friends from Lancashire, there is a definite movement of the textile industry from the West to the East. And we submitted a reference to a paper which was read by Mr. Otto Bankwitz at the XVI Session of the International Cotton Congress which gave the spindleage increases in Eastern countries as against the declines in Western countries. If you are taking our industry as compared with another in an Eastern country, I maintain that our progress has not been as rapid as it ought to be.

President.—On the one hand you compare your profits with the Jute Industry and on the other hand you compare your expansion with that of Japan.

Sir Joseph.—Having differed in profits, comparison in respect of expansion is reasonable. There is another observation which I should like to make. Given ordinary normal conditions, reasonable and proper duties, with a growing market, such as India has—India's population is, I think, roughly 360 millions—it is only to be expected that with reasonable times

developments should continue in spite of the losses which have taken place particularly in the Bombay section of the industry.

President.—You have also referred both in reply to the questions and in your memoranda to the severe internal competition, and you have rightly enough pointed out, I think, that it is not necessarily the amount of competition that led to the drop in prices but the fact that there are sellers. In that connection I would like to go into the question of the capital value of the model mill and depreciation. You have said to us that the data asked for by the Board have not been sufficient and that you are going to give us further data. As I explained to you, it is left to every Section of the industry to put up its own case as it cares to and the questionnaire that we sent out was merely to make sure that we would get some particular figures that we wanted for our own information. I must say that you have given us and continue to give us a very full case and I do not want it to be suggested for a moment that the questionnaire was the limit of our desire for information and on the question of costings your reply to the Dewan Bahadur was that it was very difficult to get at the basis of prices. If we take the industry as it stands to-day we can take the costings as you have stated and as you have been doing but you say that you must take a model mill to arrive at what we may call additional costs, viz., overhead, extent of return and other things.

Sir Joseph.—We have adopted that procedure because it has been laid down in the previous Tariff Board report. It would have been easier for us to take a consolidated block value and cost on that.

President.—So far as I remember—and I have read all the reports very closely—the principle to which you referred was laid down when they were dealing with particular industries where it was generally understood the block value was very much higher than the current market value.

Sir Joseph.—Are you referring to the Indian Textile Industry?

President.—I am referring to the principle

Sir Joseph.—They did lay down this method in 1932.

President.—It was tried before that. It was worked in other industries and it was referred to by the Noyce Committee as well as by the Matthai Board. On the same principle I want to get at the question of block costs. There was some discussion about the finishing machinery. Could you give us a little more details as to how you arrived at your block costs? It has been suggested to me that you are probably on the low side and I want to be fair to you. It was a 40 thousand spindles mill that you took.

Sir Joseph.—We took a mill of 39,562 spindles—just a grey mill without finishing machinery. This figure was obtained from machinery suppliers and we checked it ourselves so far as we could with our knowledge of machinery. We could send you a note on that. The size of the mill was 39,562 spindles and 1,000 looms.

President.—The next item in your costings is the interest on working capital at 5 per cent. You say that it has been prepared on the basis of one-third of the fixed capital. How have you arrived at that—your working capital in relation to the block account instead of your requirements or turnover?

Sir Joseph.—We find in actual practice that roughly a mill—I am speaking of the average mill on a fair valuation—needs in cash about one-third of its block value.

President.—I have been looking through figures which are available to me and I cannot see any relationship between the block account and the working capital. I thought you decided on your experience generally or your turnover.

Sir Joseph.—I could quote the experience of my own mill—The New Great Eastern Mills—where the block value is Rs. 35 lakhs and I am using about Rs. 12 lakhs as working capital.

President.—You have generalised this from your particular experience.

Sir Joseph.—We have checked it with the experience of others who are on the Committee.

President.—On the question of depreciation, you have been suggesting 4½ per cent.

Sir Joseph.—The depreciation allowed by the Income-tax authorities is 2½ per cent. on buildings, 5 per cent. on machinery, 7½ per cent. on electrical plant and 10 per cent. on furniture. To get at one basic figure we have arrived at 4½ on the basis of the actual allowance we get.

President.—I have been looking at the depreciation which you have allowed yourself in the *pro forma* profit and loss account.

Mr. Maloney.—That is only theoretical.

President.—Surely not.

Mr. Maloney.—It was the figure originally put in by the auditors.

President.—Let us assume that we were able to decide that you were to start next Monday on the basis of this particular overhead costing basis—I am not talking of individual costs. You have taken a model mill with these particular figures and you have told us about the severe internal competition and you have referred us to published lists. In your trade I find cases where depreciation and reserves are bigger than your block account. I can find more than one case in this Presidency. I can find mills in Southern India as well as Northern India. I can find cases where it is simply a spinning mill and nothing else. I can find cases where there are mills working on low coarse counts and mills working on finer counts. Therefore in all the various branches of the trade there are very important and large concerns who have got very big reserves and depreciations, chiefly as depreciations, as a result of happy years that have gone by. You start on the basis of your new model with your new costings that you have given here. How long would it take—Tuesday or Wednesday—for the prices to drop again?

Sir Joseph.—I wish I could give you a reply to that question.

President.—Let me say this. I want to be practical—as practical as possible. I have read all that has been done by the previous Tariff Boards and I have read all the recommendations made by them, all their reports and oral evidence given in that connection, and I am speaking with the full knowledge of the facts. What I want to get at is this. In your own particular industry which we are discussing at the present time, supposing you start business on your model mill on Monday morning, I am wondering would it be Tuesday or Wednesday when the internal competition would be driving you to an uneconomic level?

Sir Joseph.—It is too hypothetical for me to attempt to give you a reply.

President.—But unfortunately we have got to handle it.

Sir Joseph.—We can only take the conditions as they are.

President.—I want to take things as they are. You have asked me to take a model mill.

Sir Joseph.—If there is any doubt in your mind on these costings of a model mill, I am prepared to let our case rest on Schedules A & F giving the actuals which we have put in for 35 samples covering a wide range.

President.—I accept that all. I only want to point out to you the trouble in arriving at an equitable solution of the problem in view of the widespread ramifications of your trade.

Sir Joseph.—If you ask me a question about this new mill which is coming in and what its effect is going to be on the market, we have already experienced in recent years the competition of new mills coming in which did not make any extraordinary effect.

President.—I am not speaking of the new mill coming in. I am speaking of the existing mills that are in Bombay, in Northern and Southern India having very, very big funds accumulated as a result of the happy years when they were getting depreciation allowances. They are in a position to quote prices which would give a knock on the head to the model mill arrangements immediately.

Sir Joseph.—The consumers will be looked after. That is the safety valve for the consumer.

President.—I quite accept that. I want to get down to the allowance that you have for depreciation. It is quite true that the previous Tariff Boards have taken a particular figure and they have also taken some amount into account in their costings; that is to say, the amount set aside from year to year and the amount of their accumulated depreciation funds have been reflected on their costs in some way. You are not taking anything at all in the present case.

Sir Joseph.—We do submit that the ordinary charge of depreciation, whether we have an accumulated depreciation fund or not, must be a definite charge on our costings and ought to be debited to our profit and loss account.

President.—I am accepting that. I am only speaking of the large accumulated funds that are available as a result of that.

Sir Joseph.—If people have accumulated funds and are using the money in their business which has enabled them to run their concern without borrowed capital, they have an advantage. But I do not think, speaking generally for the industry, that it can be said that many mills are in that happy position. There are some we know.

President.—I am not speaking from the point of view of some people having that advantage. Anybody who has accumulated capital is entitled to get that advantage. I am only referring to the effect on the industry of these important factors.

Sir Joseph.—That depends on the individual; whether because he has got a benefit, he is going to quote a lower market rate. A prudent industrialist does not do it.

President.—Do we not find that happening to-day?

Sir Joseph.—Yes, we do. Hence the necessity for appearing before you.

Sir Hormasji.—Assuming that what you say is correct, I want to understand, if I may, how it affects the question of protection.

President.—As far as costs are concerned?

Sir Hormasji.—The Chairman has already pointed out that he is quite content to rest his case upon the actuals of the various samples.

President.—I was talking of this model mill with all these big allowances for capital, interest and depreciation. As far as I can see, it has not affected your costs in any way. I know it has been experienced in other connections that their costs are presumably affected and they have taken them into account in estimating costs.

Sir Hormasji.—My submission is that it does not affect the quantum of protection that would be conceded on the basis of actual costs.

President.—To what extent would it be reasonable for us to suggest that they should be taken into account in costs? That is the point.

Sir Joseph.—I cannot understand how we can work out costs without providing for depreciation.

President.—I do not mean the debit for depreciation. I mean the allowance for what is being done with it when you get it.

Sir Joseph.—That is not representative of the whole industry. That is representative of only a few.

Sir Hormasji.—The point that ought to be considered on the samples submitted to you is what really is the position with regard to depreciation.

President.—You have told us that there are certain bulk lines and that competition is existing. It is quite likely that a mill is forced to sell certain qualities below the economic level. In your individual capacity as millowners' managing agents do you have costings under individual heads in front of you; are all the heads costed?

Sir Joseph.—All cloths are costed before sales are made. I will just show you the system (shown). In all these moderately efficient mills the position is that before you arrive at the price of your cloth it is estimated on correctly before arriving at the price. Every cloth is costed.

President.—I will take a particular instance. In one particular item—I think we were told that a particular article which had been costed at Rs. 14 was sold at Rs. 12—I am speaking from memory. In this particular case would the seller have this costing in front of him?

Sir Joseph.—What very often happens in certain depressed markets is this: suppose you are running a mill with varied sorts, it may pay you on calculation to sell cloths at a loss to keep that section of the plant running instead of closing it down. That occurs very often in the Bombay mills.

President.—What I wanted to get at was, would the salesman have access to the cost sheets in this particular case?

Sir Joseph.—Yes. As I have just pointed out, sir, it may be cheaper to work A at a loss and keep the market, and often it pays the seller to keep his regular market even at a loss.

President.—I assume that you have been forced to sell particular lines at uneconomic levels, that internal competition and other factors have forced you to sell very very cheaply and therefore will your other costs be inflated accordingly? How will you be sure of that?

Sir Joseph.—By looking at the balance sheets.

President.—Then when you send us the costings send us the balance sheets.

Sir Joseph.—Yes.

President.—You have given us certain samples and have sent certain costings and you tell me that particular mills are selling below their costs. Naturally if they are selling some lines below costs, on other lines the costs must be higher. Are these reflected to any extent in the costings we have got?

Sir Joseph.—You are assuming that we are selling that cloth at a loss all the time.

Sir Hormasji.—The loss on one cloth is not reflected on the cost of another cloth.

President.—Certainly it will be. I am a practical man myself and I am dealing in textiles the loss. If you have to sell one section or article at below cost, other will have to be put on another and you will have to sell that article at a higher price.

Sir Hormasji.—The costings are uniform whether you sell one description of cloth at a loss and another at a profit. The costings are actual costings. Whether you sell in order to make up is a different point.

President.—You are quite sure they are not in any sense loaded in actual practice?

Sir Joseph.—No sir. We can convince you by submitting practical costings over a range of years.

President.—At the moment I do not want to detain you any further. I will deal with it later. There is one point as regards costings that we asked for. We are simply following what was done by the previous Tariff

Boards. We are following what was done in Table 55, Chapter V of the 1932 Report. I would like you to look at that in this connection. First of all assuming from all I heard and read in evidence that your costings would have been lower and improved as time went on, that does not fit in with this quite clearly. You have given us 9 mills from Bombay and one from elsewhere; here we have got figures dealing with Bombay, Ahmedabad, but we have got nothing from Cawnpore, Nagpur, Delhi to indicate what their costs are. Would it be too much trouble for you to give the same?

Mr. Maloney.—We have already submitted one from Bengal but in the other centres mentioned they are very much coarser than our cloth, and they are not comparable with United Kingdom cloths.

Sir Joseph.—If it would help you I will write and ask.



(Continued on 20th December, 1935.)

Sir Joseph.—May we, before you go on to the oral examination, deal with one or two points that arose out of yesterday's examination. The first information that was required was about this mill in which we have put in doubling frames for sewing yarn. 16 of these frames were inserted in 1934-35 and other 8 frames in the years 1933 and 1934, in the Bombay mill. I mentioned 50. The remainder were put in between the years 1929 and 1933.

Mr. Mudaliar.—Can you tell me how many remain?

Sir Joseph.—26: that is to say we put in 26 between 1929 and 1933, 8 in 1933-34 and 16 in 1934-35. That is a total of 50 altogether. The other point you asked about was the prices (handed in). The other matter is in regard to what I said yesterday about the cost of comparable cloths. I said that in view of the controversy which arose over the costings on page 7 I would accept for that end of our case costings of actual cloths being produced. I would like you to give us a ruling as to how and on what basis we are to deal with the two phases of the case that is (1) cloths which are imported which we may want to manufacture and (2) that portion of the case where we had taken up and tried to make cloths but were not able to market them because we could not compete in price.

President.—What is your specific point at the moment?

Sir Joseph.—(1) Where cloths are comparable we are prepared to take actual costings of cloths to be submitted, (2) we want your ruling as to how and on what basis we are to deal with cloths which are imported and which we want to manufacture and the other where we have attempted to make cloths but dropped out because we could not compete in price. If there is some anxiety in the minds of the Board about this method of costing, will the Board give us a ruling as to the basis on which we should make up our costings for these two phases of our case.

President.—We will discuss that in detail after we have discussed the costings this afternoon.

Sir Joseph.—I am only saying just now that I did not want any wrong impression to be aroused in your minds having stated yesterday that I would accept, where the cloths were comparable, the actual costings and from the prices which we submitted yesterday to that end the Board did not understand, nor could we, these difficult phases as covering two important parts of our case. Unless the Board can give us some ruling on the subject as to what should be added in the way of on costs . . .

President.—Yesterday you were saying that a comparison would have to be made between goods actually being imported and the fair selling price of Indian goods. I quite agree we have got to go as wide as we possibly can within the terms of reference and we shall discuss that later on. But I accept your point of view that you do not want to be tied down to one particular thing.

Sir Joseph.—Then would you at this stage agree to give some ruling as to what additions are to be made to the on-costs to get at these comparable prices?

President.—At the moment I would not be prepared to do that. We will discuss this with you and see what the difficulties are.

Mr. Maloney.—There is one other point which has arisen out of the discussion yesterday, on which there might be some misunderstanding. We have gone through the percentage of additions which are necessary to equate the duty and we submit that there were some mistakes made yesterday because our figures are considerably lower than one or two illustrations given by Mr. Mudaliar. I make a little protest now

so that there will be no misunderstanding in the minds of the public through what we stated yesterday (handed in). This is only a rough statement which would show the method of calculation which I think the Tariff Board will accept as more or less accurate.

President.—The range of protection desired is on the basis of duties ranging from 34% up to 58%?

Sir Joseph.—That may be modified according to the ruling which you will give as to what we are to add to our on-costs.

President.—I quite agree.

Sir Joseph.—I think the other one remaining important point was the matter of managing agency commission on which Mr. Fazal Rahimtoola asked us to give a further reply to-day. We have gone into this matter and there is a little conflict I think with regard to what ought to be submitted, whether on the basis of the previous Tariff Board and that as was pointed out to me after my examination yesterday must have been weighing in your minds when you prepared your questionnaire. In Appendix A to your questionnaire you ask for the latest costs and you have mentioned there under heading 3, sub-heading 12, that managing agents' commission, and office allowance should be included. We suggest that in view of the previous Tariff Board's basis we should be ready to alter what we suggested yesterday about managing agents' commission and keep to your own idea and let managing agents' commission be included.

President.—What we really ask for under this head in Appendix A is the details of works expenditure during that year, and we specifically lumped together office expenses and managing agents' commission and we specifically asked you in one of the notes to say definitely whether managing agents' commission had been or had not been debited and if so to what extent. We take note of what you say and that also will come up in our discussions regarding on-costs.

Mr. Rahimtoola.—I shall ask you one or two questions in connection with the statement you have made to the President in our confidential examination.

Sir Joseph.—Thank you.

Mr. Rahimtoola.—With regard to the question of yarn I want to understand the position of the Millowners' Association. I find that they are opposed to the reduction of duty?

Sir Hormasji.—In our representation we have generally supported the elaborate case which has been presented by the spinning section of the industry in Southern India.

Mr. Rahimtoola.—My point is this: are you using imported yarns?

Sir Hormasji.—Yes, a small quantity.

Mr. Rahimtoola.—What would be the percentage?

Sir Hormasji.—Very very small. They are special yarns, sometimes mercerised yarns, sometimes very fine yarns, doubled coloured yarns and the like. The total percentage will be very small.

Mr. Rahimtoola.—They are special yarns, may I say?

Sir Hormasji.—Yes.

Mr. Rahimtoola.—Special in the sense double, folded, mercerised, or coloured and not ordinary yarns.

Sir Hormasji.—Occasionally ordinary yarns, but the percentage will be negligible.

Mr. Rahimtoola.—What about the yarns sold by the mills? Will that be also in the same proportion? I understand that a certain quantity of yarn is sold by the mills over and above what is used by them for making cloth.

Sir Hormasji.—Very substantial quantities are being sold.

President.—Have you got any figures to indicate the sale?

Sir Hormasji.—We have got a statement showing the balance of yarn available for sale over a period of 5 years. I will not say that these figures are correct to a decimal point, but they are approximately correct. The total is in the neighbourhood of, we might say, 350 million lbs. for the whole of India including the Indian States. Bombay has a substantial share of that. In fact Bombay City may be said to be one of the principal suppliers.

Mr. Rahimtoola.—That supply is entirely for the handloom products.

Sir Hormasji.—Yes entirely, except for a small quantity for export and for hosiery purposes.

Mr. Rahimtoola.—What is the position with regard to the realised prices on the question of yarn?

Sir Hormasji.—We have the same lag between the fair selling price and the prices realised by mills as in the other case. There is a distinct lag and we are not selling at an economic rate.

Mr. Rahimtoola.—I understand the competition is mainly from China and Japan.

Sir Hormasji.—Yes in certain types of yarn.

Mr. Rahimtoola.—But you do also meet with competition from the United Kingdom yarn.

Sir Hormasji.—Yes.

Mr. Rahimtoola.—In which counts specially?

Sir Hormasji.—60s and upwards.

President.—Please hand in that statement to me.

Sir Hormasji.—Yes (statement handed in).

President.—We have taken out figures from province to province ourselves showing the interprovincial trade as regards yarn generally used in the handloom industry. I was just wondering what figures you had here. This is an All-India figure showing the production.

Sir Hormasji.—Yes less the amount which goes to the making of our cloth and the exports.

Mr. Rahimtoola.—The figure that you have given me is entirely the mill production—yarn sold by the mills.

Sir Hormasji.—Yarn available for sale by the mills.

Mr. Rahimtoola.—In paragraph 13 of your supplementary representation you say: "One of the chief reasons for these differences is that the English yarns are chiefly mule yarns, and the Indian yarns against which they compete are mainly ring yarns". What is the point that you wish to make?

Sir Hormasji.—What is intended to be conveyed there is that the quality of the yarn is not the same, because the fine counts yarns are mostly made on mules in England and they are made on ring frames here.

Mr. Rahimtoola.—Which is better?

Sir Hormasji.—Mule yarn for certain purposes owing to its softer twist.

Mr. Rahimtoola.—Therefore you want one of the points to be considered in arriving at the equation is the question of finish and the quality of yarn.

Sir Hormasji.—We are merely pointing out the difference between the qualities of the two yarns. I don't think we are making any special point. We are emphasising the difference in quality. One is the mule yarn and the other is ring yarn. Mule yarn is superior for certain purposes.

Sir Joseph.—The majority of yarns which are coming from Lancashire are mule spun. As regards the evidence tendered by the Lancashire Delegation, it must be pointed out that in the Manchester Textile papers mule

yarns are definitely quoted at a lower price than ring yarns. That is really the point there. Mule yarn is a softer spun yarn and when it is marketed it is able to be marketed at a lower price than ring yarn.

President.—In that connection if you say that there is a distinction between mule and ring and if you say that the mule is softer spun which is one of the differences which makes it presumably suitable for particular purposes, I take it that the handloom weaver will have to go elsewhere if mule yarns are not imported. The handloom does not require such hard twist as the power loom does. Are there any objections to mule yarn being allowed to come in free? If the handloom weaver would like mule yarns for his particular purpose, do you suggest that he should not be allowed to take mule yarns?

Sir Hormasji.—As I said mule yarn is softer spun yarn. He likes it because he had it most of his life and because it is cheaper in price.

Mr. Rahimtoola.—Is that the only reason?

Sir Hormasji.—That is all I can say with my limited knowledge of the handloom industry.

Mr. Rahimtoola.—I am not able to understand this point clearly. Sir Hormasji just now informed the Board that the mule yarn is superior to ring yarn, and as far as the prices are concerned, mule yarn is cheaper than the ring yarn.

Sir Hormasji.—Mule yarns for certain purposes are better than ring yarns.

President.—For handloom weaving purposes.

Sir Joseph.—Yes. It is better because it is softer spun. We have had evidence from the Lancashire Delegation that there is practically no difference in the cost. I submit we can tender evidence to show that mule yarns are sold on the markets at a lower rate than the ring yarns. That is the English price, so that the price factor must come into play.

Mr. Rahimtoola.—At present in the Indian market mule yarns are sold cheaper than ring yarns.

Sir Joseph.—I am speaking of imported yarns.

Mr. Rahimtoola.—In spite of the present duties?

Sir Joseph.—Yes. The Textile Weekly of October 11th quote the prices of mule and ring yarns.

President.—Can you point out where it is definitely said that mule yarn is cheaper than ring yarn? Is that under the head of American yarn?

Sir Joseph.—Yes.

President.—What do you want to compare it with?

Mr. Maloney.—Preferably twist bundles.

President.—I do not know of course, but there would probably be some essential difference in the packing.

Mr. Stones.—There is a lot of technical difference.

President.—Seeing that the mule yarn is made of slightly inferior material and serves the handloom weavers' purpose just as well, it seems to me a pity to force them to use ring yarns.

Mr. Stones.—There is that point to be borne in mind *plus* and *minus*, and it is for the Board to consider the *minus* and *plus*.

Mr. Mudaliar.—Could you tell me what the duty would be on Item No. 6, Grey mull Mongoose, B22 x 22 (2 hares), and on Item No. 13, Grey Dhories, CG 5½, in your list on page 7 of your Supplementary Statement?

Mr. Maloney.—It is not specially prepared, but it is just our rough working.

Mr. Mudaliar.—You say: "The anomaly of Indian Mills being able to purchase certain counts of yarns cheaper than they could manufacture themselves has been referred to in our answers to the questionnaire". Could you tell me what counts of yarn are these?

Sir Hormasji.—60s, 70s and 80s.

Mr. Mudaliar.—Are the mills producing below 50s?

Sir Hormasji.—No, except two fold yarns, coloured yarns and the like.

Mr. Mudaliar.—Two-folds below 50.

Sir Hormasji.—2/40, 2/42 mercerised yarns.

Mr. Mudaliar.—They are all Japanese.

Sir Hormasji.—Ordinary yarns are of higher counts.

Mr. Mudaliar.—These two folds below 50s are all Japanese yarns?

Sir Hormasji.—Mostly.

Mr. Mudaliar.—We have heard it stated and I think the import figures also justify that virtually there is no import of yarn from England below 50s.

Sir Hormasji.—We have got all the figures here. We might say it is very little.

President.—In your statement you say there is no competition below 40s.

Mr. Mudaliar.—You say: "Ostensibly, the rates of duties on yarns have been fixed at the existing levels for the benefit of the Handloom Industry. It is the contention of this Association and the Indian Spinning Industry as a whole that the inadequate protection which has been given to the Indian Spinning Mills, as far as medium and fine count yarns are concerned, both against the United Kingdom, and China and Japan, will eventually react to the Handloom Industry's disadvantage". I wish you would elaborate that point.

Sir Hormasji.—I need not elaborate that point. I will use the argument which I probably employed dozens of times in our replies in one place or another and it is merely this that assuming for the moment that if we are making things extremely difficult for the spinning section of the industry, either the spindles have to be scrapped or looms installed in order to consume what the spindles are producing. Then it would eventually happen that the handloom weaver would have to depend entirely on the foreign imports of yarn for his requirements and it is a question when his entire dependence upon foreign yarn does come about, whether he will be able to obtain his requirements at the very low levels at which he is obtaining them to-day and whether it is in the interest of the industry or in the interests of this country that this should come about.

Mr. Mudaliar.—Let us take these two points separately. Take the first point. Looms may be installed if the spinning industry is working at a loss. Am I to understand that at present owing to any consideration of the handloom weaver, the number of looms is not going up.

Sir Hormasji.—I am not suggesting that.

Mr. Mudaliar.—At one time there was some sort of suggestion regarding quota. Don't you think that even if the extreme case happens the spindles being scrapped, or turned over to looms, external competition between competing importing countries would go to the rescue of the handloom weaver? Have you any reason to think that there will be a ring formed of exporting countries which will force up the prices to unreasonable levels?

Sir Hormasji.—What might happen conceivably is that if the whole field is left to them, there might be a demarcation of counts, lower counts or the medium counts being supplied by China and Japan and the higher counts by the United Kingdom. It may so happen and is almost certain to happen.

President.—In these days anything is possible.

Mr. Mudaliar.—As I put it to the South Indian Millowners' Association, supposing it is accepted that the bulk of the yarn production in this country is really up to 50s, what would be the extreme limit to which you would take the protection if we want to free any set of higher counts which are not produced in this country?

Sir Hormasji.—I have not followed the question.

Mr. Mudaliar.—You are not at present producing for the handloom purpose at any rate quantities of counts of yarn above 120s so far as I have studied the figures.

Sir Hormasji.—Quite so.

Mr. Mudaliar.—Quantities between 120s and 80s are released to a small extent for the handloom weaving, not to the extent to which he would require. It is really in quantities below 60s that the bulk of the Indian production lies and the handloom weaver is provided by the Indian production. Supposing I want to conciliate all the conflicting interests with reference to yarn and I want to safeguard the Spinning Industry for the ultimate benefit of the handloom weaver and not necessarily penalise the handloom weaver by an excessive duty, where would you draw the line in the present stage of the spinning industry?

Sir Hormasji.—I should be glad to go up to 80s counts even.

Mr. Mudaliar.—There was a reference in one of your supplementary memorandum about this to the Textile Journal Quotation, and I understood one of the points was that the prices were very cheap in the United Kingdom. Was it so?

Sir Joseph Kay.—Is it in the supplementary statement?

Mr. Mudaliar.—I think so. You gave us quotations from the Textile Journal of counts of English yarn.

Sir Joseph.—That was in one of supplementary notes—note on prices.

Mr. Mudaliar.—We are taking the actual imported price or the whole-sale price in this market. The prices in England do not seem to have any bearing on that.

Mr. Maloney.—I think I am responsible for the note sent to you on the samples. We have gone through all the samples of yarn and put in our remarks about prices which we can check. The check we have on the Lancashire estimate of the cost of producing ordinary 32s, 40s or 50s or 60s yarn can be obtained from English sources, i.e., quotations that are regularly supplied in Manchester or the Textile Journals are an indication as to what they are prepared to sell their yarn at in England. If that yarn is sold in England, the inference will be that it is superior to the yarn supplied to the handloom industry in India. The distinction can be made.

President.—What should you add for bundling and for reeling? This question may come up again in the afternoon.

Sir Joseph.—Yes.

Mr. Rahimtoola.—With regard to the question of artificial silk fabrics and mixtures, what quantity is at present manufactured in India?

Sir Joseph.—I am sorry to say that there are no figures available of any description either for the power looms or for the handlooms industry.

Mr. Rahimtoola.—Can you tell me approximately the amount manufactured by mills?

Sir Joseph.—I could not. A lot of the artificial silk yarn imported into the country goes to the handloom industry.

Mr. Rahimtoola.—You have yourself stated that 85 per cent. of that goes to the handloom industry.

Sir Joseph.—That is based on the experience one gets in a general way.

Mr. Rahimtoola.—You realise that one of the terms of reference is to equate prices with regard to the artificial silk fabrics and mixtures.

Sir Joseph.—I do realise it.

Mr. Rahimtoola.—The Board ought to get as much information as is possible in order to arrive at the equation of the duty.

Sir Joseph.—Our Lancashire friends have the same trouble.

Mr. Rahimtoola.—The Lancashire people have supplied us with quotations and samples.

Sir Joseph.—We have got one sample I think.

Mr. Maloney.—We have had difficulties of getting samples of United Kingdom cloths which we consider at all comparable to our cloths. We have had the same difficulty in this case. We have seen a lot of Lancashire cloths coming in which are very superior. We both realise that cheap fabrics in this instance come from Japan and neither of us can sell freely unless the competition coming from Japan is adequately dealt with. Therefore it is impossible for either of us to put up a case on the basis of comparable samples.

Mr. Rahimtoola.—The point is: are the mills manufacturing artificial silk fabrics?

Sir Joseph.—From my experience I can say there are mills manufacturing. There is a certain quantity of pure artificial silk cloth made.

Mr. Rahimtoola.—Have you submitted any samples?

Sir Joseph.—No.

President.—There is one from your own mill.

Sir Joseph.—Yes.

Mr. Stones.—There is a development, a very rapid development, in one of our pure artificial silk fabrics. I can submit samples if you want.

Mr. Rahimtoola.—We have seen samples of silk fabrics made out of staple fibre. I don't think we have received prices or samples of artificial silk fabrics.

Mr. Maloney.—It would be very easy to put in a lot of 100 per cent. artificial silk fabrics. We had a couple of mills in Bombay who used to produce nothing else, but both of them have closed down on account of the fact that they could not meet Japanese competition.

Mr. Rahimtoola.—What about the artificial silk mixture? Can you produce more than one sample?

Sir Hormasji.—We can give you a range of samples.

Sir Joseph.—The trouble is to get comparable goods.

Mr. Rahimtoola.—The quality that you are manufacturing does not compete with the United Kingdom goods.

Sir Joseph.—Not generally speaking. In one case where we can get a fairly comparable line, we have given you. That is the mixture.

Mr. Rahimtoola.—As regards that particular sample, the United Kingdom quality competes with you.

Sir Joseph.—Yes.

Mr. Rahimtoola.—How can you distinguish between the two?

Sir Joseph.—In this case they are comparable.

Mr. Rahimtoola.—Do you want us to base the duty on one sample submitted by the Millowners' Association?

Sir Joseph.—I could submit to you a great range of samples but my difficulty is to get samples which can be compared with those of Lancashire, whose total imports come to about 3 million yards.

Mr. Rahimtoola.—There has been an increase in the imports from the United Kingdom.

Sir Joseph.—That is so.

Mr. Rahimtoola.—I want to find out specific instances where there is competition with Indian goods.

Sir Joseph.—It is very limited at the moment.

Mr. Rahimtoola.—It does not compete at all.

Sir Joseph.—You cannot say that because we have given you a case where it does.

Mr. Rahimtoola.—What is your proposal with regard to equation on this question? I must have some definite proposal? Do you desire that the Board should equate prices on the basis of the price of one sample submitted by you as against the United Kingdom quality?

Sir Joseph.—In this case where we have extreme difficulties, we suggest that the duty should be left as it is.

Mr. Rahimtoola.—I do not think that we can say that the duty can remain as it is, unless we equate the prices and find that such a recommendation is justified.

Sir Hormasji.—The range of competition being very limited, it is impossible for us to make out a case which would be accepted by the Board for suggesting a higher rate of duty or any particular rate of duty and therefore we say, as our Chairman has just stated, we will not ask for more than the present scale of duty.

Mr. Rahimtoola.—I hope you realise the difficulty of the Board, and I would like if possible that more than one sample should be submitted, when you say that two or three mills are producing.

Mr. Saklatvala.—We can give you samples of stuffs that we are making. Our difficulty is will our Lancashire friends be able to match them?

Mr. Rahimtoola.—The quantity that is imported is large and according to you the imports from the United Kingdom have increased. Therefore it is possible for us to get comparable samples.

Sir Joseph.—The Lancashire Delegation said that they searched the market and found great difficulty in getting at comparable samples.

Mr. Rahimtoola.—Do I understand that in this line there are no similar goods?

Sir Hormasji.—As I have pointed out, the range of competition being limited, it is impossible to say that in particular types of goods there is competition. What the Board has to take into consideration is the potential danger if the duties were to be reduced.

Mr. Rahimtoola.—The potential danger is with regard to the supply of fibre.

Sir Hormasji.—That is coming, and the artificial silk goods are there already.

Mr. Rahimtoola.—Have goods made from staple fibre not yet entered into India?

Sir Joseph.—No.

Mr. Rahimtoola.—Are these samples submitted to us by the Millowners' Association experimental or are qualities of goods being produced?

Mr. Stones.—Purely experimental. The amount of material available for shipment to India is not much. The demand in England is already very great.

Sir Hormasji.—As a matter of fact, the quantity available will not be sufficient to cover my friend Mr. Stones.

Mr. Mudaliar.—I asked you about the artificial silk yesterday and I think your answers were very much the same as those given this afternoon. I only want to ask you about the handloom weavers and artificial silk. Have you any idea of their production of artificial silk goods?

Mr. Stones.—I had recently been investigating that point. I have been working privately with a view to seeing whether it would be possible for the mill industry to assist the handloom industry in any way. On consultation with the people on the spot and the Director of Industries, Madras, I find that there is a big development in the artificial silk industry in the manufacture of shirtings and sarees made from artificial silk. I analysed the other day and sent to the Government of India two or three samples of shirting made from artificial silk both warp and weft. I do think that the handloom industry has an enormous field for future development as a supplier of artificial silk cloth. The realised price of a cloth in the Bombay market by the weaver was less than the import duty on these goods and the sale price was about a rupee less than could have been quoted by any mill in India. Improved marketing facilities for purchasing and handling could effect a tremendous improvement of the handloom industry. The man who does the selling for the handloom gets 16 per cent., and the dealers get more than the price of the yarn. The handloom weaver is getting only three annas a day.

Mr. Mudaliar.—Would that be comparable to the United Kingdom goods?

Mr. Stones.—Definitely no. In the old days in Japan they had a very big business in handloom silk cloths like kimonos. Various cloths were exported all over the world. The developments of artificial silk in the international trade have made them impossible for turn out on handlooms various cloths which are marketed all the world over. The industry was investigated by an American Trade Commission on whose recommendation a prohibitive duty was imposed on goods produced under sweating conditions. The competition in India is less with the Indian mills than with the handloom weaver. Apart from that, the handloom weaver is not getting the price which he should through lack of facilities for marketing. I can put in all the figures if you like because I have watched this thing very keenly.

Mr. Mudaliar.—As regards staple fibre you do not suggest that we should take that into consideration. As I understand it, it is more as a caution for the future that you have put it forward.

Mr. Stones.—I definitely suggest that you do take that into consideration this question of the import duty on staple fibre. It is a raw material comparable to Egyptian cotton. We pay a duty on that of 3 annas per lb. equal to 23½ per cent. in the case of Japanese staple fibre and 18½ per cent. in the case of the English staple fibre. We are already paying that duty. If it was coming in on the same basis as cotton, it would pay half an anna per lb. If it came in as some other raw product free, we should then be in a very much better position. At present there is no cloth imported. If the cloth is imported made of staple fibre, it should be assessed on the basis of artificial silk. You must see that they charge 3 annas specific duty which comes to 33 or 34 per cent. The danger comes in this way. Some of these cloths mixed with cotton cannot be detected. If they come in mixed with cotton, we would be placed at a very great disadvantage. I saw in the report of the Director of Industries, Madras, on the Mettur Project that they were investigating the question, and as a matter of fact we have decided to develop the manufacture of staple fibre in Southern India if we can possibly do it. The ideal is to develop a project for manufacturing staple fibre. If we can do that, then obviously there must be an import duty on staple fibre entering the country.

Mr. Mudaliar.—That is not before us at the moment.

Mr. Stones.—I am only pointing out that we are paying 3 annas; it should be brought down to half an anna.

Mr. Rahimtoola.—May I refer to the criticisms that you have made with regard to the samples where you say that prices have been given for qualities which differ from the samples.

Mr. Maloney.—That is so.

Mr. Rahimtoola.—I would like to know what checks you have employed for ascertaining that.

Mr. Maloney.—The check we have applied is the check of analysis and inspection by the mills which are reported to have made them.

Mr. Rahimtoola.—That means that the actual sample. . .

Mr. Maloney.—Is not the one for which prices have been given?

Mr. Stones.—I would like to point out that we do not blame the Bombay Chamber of Commerce or other people concerned who have sent these notes. After all merchants will come along and say "I want to buy such and such an article: I am buying this from an Indian mill for so much". They are rather keen on keeping prices down and possibly they submitted these to them and said "we get this at such and such a price".

Mr. Rahimtoola.—It is quite a possibility. I am not imputing any motive.

Mr. Stones.—Nobody has done this deliberately: it merely happens on a check. It is a genuine mistake which has been made from the point of view of people supplying these. That is something which can normally happen.

Mr. Rahimtoola.—You state here that in certain cases prices have been given for qualities which differ from samples actually submitted?

Mr. Maloney.—That is what we feel.

Mr. Rahimtoola.—There is a difference between an actual mill quotation and the realised price?

Mr. Maloney.—There is a cloth that does not represent the price given. It is not really the price which the particular sample has been sold at. Naturally there is a variation.

Mr. Stones.—In the one case of our own particular mill we make cloths ranging down from 80s to 40s reed and pick in the same counts of warp and weft and the cloth happens to be 72s reed and the price given is for 64s reed so the price is the correct price for 64s reed and the sample price is the price for 72s reed.

Mr. Rahimtoola.—My point is, I want to know whether there is any difference between mill quotation and the realised price in the market.

Mr. Maloney.—Yes, in certain circumstances they are bound to be different.

Mr. Rahimtoola.—What is mill quotation? Is it a nominal figure?

Mr. Maloney.—The price which has been put in represents the actual price realised by the mill on that particular cloth on the latest available date.

Mr. Rahimtoola.—I will take one instance. Take the representation, submitted by the United Kingdom Delegation, the very first sample. The price in India as estimated by the United Kingdom Delegation is 135 annas and the actual as ascertained by the Millowners' Association is 142 annas; that is the latest price?

Mr. Maloney.—That is so.

Mr. Rahimtoola.—This is I understand a quotation obtained by the Lancashire people through their people in India. That differs from the actual?

Mr. Maloney.—It does differ. The figures given by the United Kingdom Delegation or any particular Chamber of Commerce will in any case be quotations only. Sometimes they get correct information as regards *ex-mill* prices. Where it is not correct we have given the figure obtained by a mill on a particular date.

Mr. Rahimtoola.—That means that mills quotations are *ex-mill* prices?

Mr. Maloney.—If it is specified as *ex-mill* price in the statement it must be *ex-mill*. Sometimes in the Calcutta samples you will find that a certain cloth has been sold *ex-mill* and in that case we have indicated the actual additions you have to make to ascertain the Calcutta price.

Mr. Rahimtoola.—Another question arising out of this is, what is the actual selling system? When we were examining the Madras Chamber of Commerce our attention was drawn to the point that though the mills might not be making profits the cloth dealers were generally able to realise better prices and were in a prosperous condition.

Sir Joseph.—I can give the actual explanation. First of all generally speaking prices are *ex-mill*. There are certain cases specially for the Calcutta dhoty trade where sometimes prices are given *c.i.f.* Calcutta. I heard the statement made by witnesses from Madras. In this Madras trade the merchant is dealing in smaller quantities than either Bombay or Calcutta merchants and I can only assume that the Madras merchant dealing in smaller quantities is realising a better price than a large dealer can do. We have been developing the Madras trade and we very often have 20 railway receipts for 20 bales of cloth and all the goods are being railed to different stations. So I think in the Madras Presidency the business is spread over a wider field and is in the hands of small dealers and after all the smaller merchant may be getting a better margin of profit than if he were dealing in a larger amount of goods.

Mr. Rahimtoola.—Do you fix the prices for Madras and Calcutta or do you leave the cloth dealer to fix the price according to market and circumstances?

Sir Joseph.—The competition is so intense that I cannot imagine myself in view of the competition which we have in every line of goods more profit one class than in other classes of goods. In my experience it is not so.

Mr. Rahimtoola.—You said just now it is so.

Sir Joseph.—It may be so up to a point. That is, as you go down and as you spread it over a big field the margin of profit may be bigger owing to a lower turn over than if you were selling 500 bales.

Mr. Rahimtoola.—When you sell *ex-mill* you do not include his commission?

Sir Joseph.—Different mills have different arrangements with their agents.

Mr. Rahimtoola.—What is the general system? I am now talking of Madras. Is any commission included in the price you quote or does he take the commission out of the sale he makes?

Sir Joseph.—Generally speaking there is no commission included in the price we quote to the merchant.

Mr. Rahimtoola.—There is the other point with regard to printed goods. In the last paragraph you have put forward your proposals with regard to the duties. In that note you have stated that the duty at present on printed goods is inadequate.

Sir Joseph.—Yes.

Mr. Rahimtoola.—My colleague yesterday developed this point to a certain extent. I want to know whether it is your intention to separate printed goods from other goods.

Sir Joseph.—I pointed out yesterday and I point out again that here is a line of goods where we would have an opening in course of time to develop. Up to date our production is limited but it is felt that this is a field with such diversity of production which we can develop, but we can only develop if we get sufficient protection, to enable mills to earn sufficient margin of profit which will enable them to spend money on machinery. At present our production is limited.

Mr. Rahimtoola.—The Bengal Chamber of Commerce say that they do not consider that printed goods imported from the United Kingdom do compete with similar goods produced in India and therefore no samples are submitted. I want to know what your views are. Do the United Kingdom goods compete with Indian goods?

Mr. Stones.—That is on a par with artificial silk goods. I can put in one or two samples but there are not very many.

Mr. Rahimtoola.—I think you have put in one or two samples.

Mr. Stones.—We have put in two—bleached voiles and printed voiles.

Mr. Rahimtoola.—It is your information that these compete with Indian goods?

Mr. Maloney.—They do compete.

President.—On the question of selling at Madras raised by Mr. Rahimtoola, there is another way of looking at it. If some of the big mills in Bombay are selling large quantities through a particular agent would he not be in a better position if the market goes in his favour, for competition against imported goods, where goods are bought in smaller quantities at fixed prices more or less?

Sir Joseph.—Not necessarily so but a large dealer has this advantage that he can extend the terms of credit to the small dealer and very often he helps the dealer that way.

President.—Yesterday you were good enough to give us copy of a contract which bore out your contention that reed and pick are mentioned in contracts. I notice a note attached here bearing the name of a certain agent.

Sir Joseph.—A big dealer.

President.—That he will have reeds and picks mentioned in the contract. Does that follow all along the line up to the consumer?

Sir Joseph.—The suggestion that was put forward was that the structure of the cloth was not taken into consideration when a man bought the cloth or a dealer bought the cloth. I do not suggest that the consumer knows the construction of the cloth but a merchant will. But it was stated that a dealer bought on the feel and did not care about the construction. I thought it was an extreme statement, with due respect to the gentlemen who made it.

President.—There is one other point and that is this. I have been looking into the question of machinery prices and other things and find that a lot of second-hand machinery have been imported. Do you know to what extent it is imported?

Sir Joseph.—It is difficult to say the extent. There was a certain amount imported two years ago—I don't think a great deal is coming into India to-day—but there is no record of the extent.

Mr. Stones.—These imports are probably confined to looms and machinery on the spinning side for Indian cotton.

President.—I do not think there is anything else to ask, but we want to say how much we appreciate what you have done to help the Board. If there is anything you would like to say we shall be glad to hear it.

Sir Joseph.—We were just wondering whether you want any information with regard to efficiency or other improvements that have been made in the textile industry as the result of protection.

President.—We understand from you that there is a general change over from coarse to finer counts.

Mr. Stones.—If these figures are evaluated on a loom hour basis or, converting looms into spindles, to a 1,000 spindle hour basis, you will find a tremendous improvement.

AHMEDABAD MILLOWNERS' ASSOCIATION, AHMEDABAD.

Evidence of Mr. KASTURBHAI LALBHAI, Sheth CHAMANLAL G. PAREKH, Sheth SAKARLAL BALABHAI, Sheth NARAINLAL LALLUBHAI, Sheth SHANTILAL MANGALDAS and Mr. GORDHANBHAI I. PATEL, representing the Ahmedabad Millowners' Association, recorded at Ahmedabad on Monday, the 23rd December 1935.

President.—Mr. Kasturbhai, you might please send in the usual details of who your representatives are, so that we may have them on record.

Mr. Kasturbhai.—Yes Sir.

President.—I would like to have also the details of the number of mills in your Association with the number of spindles, looms and capital?

Mr. Kasturbhai.—Yes (Statement handed in).

President.—We received from you your case and also answers to the questionnaire which we sent out and in return we sent you the cases that had been sent to us by other interested parties. Now we would like to know whether after having read through these and after having had an opportunity of considering the cases put forward by the other side, you wish to say anything more than the comments that you have already sent to us in that connection.

Mr. Kasturbhai.—No, Sir.

President.—You were good enough to favour us with your remarks regarding the other cases. Beyond that, you do not wish to say anything.

Mr. Kasturbhai.—No. But before you begin, we would like to express our very best thanks to yourself and to the Members of the Board for acceding to our request to come down here and take the evidence in Ahmedabad. By the presence of the members here, you will appreciate how keen the industrialists of Ahmedabad are in the matter of this enquiry and it is only proper and nice of you to have acceded to our request to take the evidence in Ahmedabad. It may be that some of you may have been put to a certain amount of inconvenience, but then looking to the interests at stake, it is only in the fitness of things that you should come here, see the mills and take our evidence in Ahmedabad.

President.—I can assure you that it has been an equally great pleasure to us to come here. It so happens that I had the pleasure of coming here before and going round the mills and my friend Mr. Fazal Ibrahim Rahimtoola had also seen Ahmedabad. But Mr. Mudaliar had not had an opportunity of going through the mills and he has all along been insisting on coming to Ahmedabad and seeing how advanced the Ahmedabad mills are. Since we came, we have had opportunities, thanks to you and your colleagues, of seeing through two or three mills. I must say that we have had considerable enlightenment thrown upon our studies of the question which we will have opportunities of discussing as we go along.

Mr. Kasturbhai.—Thank you.

President.—I would like to clear out of the way first of all any difference of opinion that may exist regarding the terms of reference. In your case you have pointed out that some of those, shall I call, representing the other side have rather strayed from the terms of reference and have not adhered strictly to them. In that connection, as you know, we left it to each party

to state their case as they thought best and in addition to that, in order that we might have certain information which we wanted, we asked you to reply to our questionnaire dealing with particular facts. You have been kind enough not only to give us your full case but also to send in your replies to the questionnaire. There is one thing which I would like to say right from the beginning we in the Board have kept constantly before us—what we are asked to recommend in the terms of reference. What we are asked to recommend is the level of the duties necessary to afford adequate protection to the Indian Cotton Textile Industry against imports from the United Kingdom. There we are asked to recommend adequate protection. I know you have devoted a good deal of space in your replies to that. But I would like to know as short as possible what your views are on the question of adequate protection,—what is really meant by that?—because I find reference is made in the memoranda which seem to indicate that some of the parties representing cases—your own party in particular—are contemplating an addition to what we would call adequate protection—definite prohibition of the imports or elimination of competition. I would like to have your views on that particular point.

Mr. Kasturbhai.—I believe in our statement we have made that sufficiently clear—what we mean by adequate protection.

President.—It is quite true. We have been favoured with three cases and you refer in case No. I which I call your original case not only to limitation of imports but their total elimination, if the Indian industry is to be able to achieve its natural growth and avoid overproduction. Again you speak of the gradually increasing replacement of the imported varieties to the point of elimination of their imports, and in replying to the first question in your answers to the questionnaire you give your views on the effectiveness of the duties. I would like you to put as clearly as possible what your views are on the question of adequate protection.

Mr. Kasturbhai.—Right from the time when the Textile Tariff Board was appointed in the year 1926, the Ahmedabad industry as such has maintained all along that India is capable of producing all her requirements in the matter of cotton cloth, and if protection is to be granted there could be no other goal for the policy to be followed by Government but gradually to eliminate imports by putting such duties as will be necessary for that purpose, no matter whether the imports come from Japan, Great Britain or any other country. We have, in this representation of ours by saying that duties be placed so as to prohibit the imports, not suggested that they be prohibited immediately. The only goal that protective duties could have in any country will be that as the industry is enabled by those duties to produce varieties of cloth which can compete with imports, the imports will be gradually eliminated. It may come to the point of elimination. It may be that the industry may not be capable of producing certain styles at the rate of duties that may be levied by Government.

President.—That is the idea that you have set in front of us. But actually the Government resolution setting out the terms of reference is not so wide if I may say so, for it has defined for us what is meant by adequate protection. It says here by adequate protection is meant duties which will equate the prices of imported goods to the fair selling prices for similar goods produced in India; that is to say, you have got to be given adequate protection. There is no question about that. But our particular duty is to recommend on the present occasion the level of duties that will equate the prices of imported goods to the fair selling prices of similar goods produced in India. That is a much narrower interpretation than a wide, sweeping prohibition of imports so to speak by a stroke of the pen and by imposing duties one can definitely come to the point when there is a prohibition of imports. As you have stressed repeatedly, I am only raising it to bring us back to our terms of reference which are, as I say, to equate the

prices of imported goods to the fair selling prices of similar goods produced in India.

Mr. Kasturbhai.—My submission is this: that if under the scheme of protection now in existence the Indian industry were in a position to obtain fair selling prices, Government would not have been under the necessity of asking you to grant us adequate protection so as to permit us to obtain fair selling prices. The very fact that we are not obtaining fair selling prices has been the reason for this enquiry.

President.—I quite agree. I agree with you so far as that point is concerned. But then the point is what are we going to do? If we get your fair selling prices, we have to put them up against the prices of imported goods from the United Kingdom. We will discuss that point as we go along. I just wanted to make it clear that we are not dealing, as the last Tariff Board did, with the question of substantive protection; nor are we here empowered to recommend duties which are going to ultimately eliminate all competition. For the time being, the particular terms of reference we have in front of us are as I have indicated to you. In that connection you of course say that the terms of reference should be such as to provide for the advancement of the industry.

Mr. Kasturbhai.—May I make my point clearer? If the industry gets into the position of obtaining fair selling prices against goods that are being imported, automatically the imports will be eliminated because as soon as we begin to realise fair selling prices in the Indian market for the goods that we have to produce, then our production will reach such a height that imports will not be in a position to come and sell in the Indian market. Have I made myself clear or shall I make it clearer still?

President.—I see your point of view entirely. My own point is that we are here to give you adequate protection. There is no question about that.

Mr. Kasturbhai.—Adequate protection will be such as to enable us to realise fair selling prices. By the time that you allow us to get fair selling prices, I submit, the Indian industry will be in a position to eliminate the imports and we will not then require either the assistance of Government or the Tariff Board.

President.—We will try to arrive at what your fair selling prices are. We have got to do that as we go along. On this question of the advancement of the industry, the figures that we have regarding the development of your industry show that in the past four or five years there has been advancement in Ahmedabad, whatever may be said of other places. As a matter of fact, when we were in Bengal, we saw signs of advancement and development. When we were in Madras, we saw further signs of advancement at least in the spinning industry. In Bombay also there has been advancement. It is quite true that there are certain mills that have gone into liquidation and certain mills have gone out of existence, but other mills have come in. Looking at this particular point, whether you look at it from the spindles point of view, looms point of view or investment in the industry point of view, there is no doubt that there has been a certain amount of development. Take it from the looms point of view. There are 20 per cent. more looms working in the Ahmedabad than there were 4 years ago and the block account that we have in front of us shows that there has been an increase of 16 per cent. in the last four years, that is to say from a figure of something like 15½ crores to Rs. 17¼ crores. I would like to know your views on that as a sign of the development and advancement of the industry under the shadow of protection.

Mr. Kasturbhai.—Unfortunately we failed to get the protection that was fully justified before the last Tariff Board. Difference of opinion arose and because of that we did not get that protection that had been justified at least before the Tariff Board that sat and enquired into our case. Because of that, I submit—and I am sure you will agree with me—Ahmedabad or any

other centre in India has not been able to make any progress worth the name in the dyed and printed goods. In the matter of grey goods, as we have submitted in our representation, the duties that have been levied, though sufficient in certain lines, have failed in one or two styles. But as far as the printed and dyed goods are concerned, the duties have completely failed and according to the terms of reference, the duties will have to be raised in respect of those goods if we are to get fair selling prices for these products in Ahmedabad or in any other centre.

President.—That is to say, there has been development and advancement, but in particular sections of the industry such as dyed and coloured goods, there has not been the advancement that you would like to see or that you could reasonably expect.

Mr. Kasturbhai.—That is my point.

President.—I quite appreciate that. After having come here and had the opportunity of going through your mills, and one of them in particular, I now have an idea of what is meant when you say in reply to question 1 of our question that there is no class of goods which Indian manufacturers cannot produce.

Mr. Kasturbhai.—I am very much obliged to you.

President.—Dealing with that particular thing, in your reply to the first question, you indicate that there has been, on account of Government action or inaction, on account of the many changes that have been made one way or another, a feeling of insecurity as regards the advancement of the industry as time goes on.

Mr. Kasturbhai.—That is so.

President.—You say that it is absolutely essential as regards the future of this industry that one should have a feeling of security and the sooner we get to it the better it is for the industry.

Mr. Kasturbhai.—We want to abstain from using the word used by the last Tariff Board. If you will kindly look up the last Tariff Board report, they have used in connection with the inquiry the word harassing. If they are no more harassing to us, it does mean a certain amount of attention and preparation which disturbs us and which does not permit us to take the fullest advantage of the duties.

President.—I fully agree with you, and I want to apologise to you for the trouble we are giving you. For good or ill we are here and we have to ask you questions and worry you a lot. You sum up the position fairly well in your supplementary representation when you are dealing with other cases. You say "So far as the Indian Textile Industry is concerned, the present position is that, out of the Indian consumption of cloth, the major part is being supplied by the Indian industry and the Indian industry is capable of producing the whole if it is given sufficient protection". Is there any real difference between 'sufficient' and 'adequate'? If we agree that it should have adequate protection and agree that there is a certain amount of development, but not the development which you would like to see specially in dyed and coloured and printed goods, that brings us on to the next point. The next point is the question of prices—we have to endeavour to equate the prices. And in that connection the first thing referred to in the terms of reference is that we have got to arrive at the price of imported goods before we can equate. In that connection we are getting prices from various people; we have also gone to the Customs officers in all the big centres and said "will you be good enough to give us from the records the actual wholesale prices on which you levy duties". In that connection in answer to question 5 (b) you say you have no reliable information on this point, that is to say, the price of imported goods. Where did you get the wholesale market prices?

Mr. Kasturbhai.—We got it through two sources; one from the Customs and the other through the merchants. But, if I may point out, it also shows that the Customs figures are not absolutely reliable.

President.—We appreciate that.

Mr. Kasturbhai.—In that very list that you are now discussing there are three prices quoted for items 15, 16, and 17. The structures of those qualities are widely different while the selling prices that have been mentioned are one and the same. That definitely shows that the importer has suggested a number of prices and the Customs not having got the technical knowledge has accepted those prices. No manufacturer will be able to agree that those three qualities differing in construction can ever be marketed by any exporter at one and the same price.

President.—The explanation that we got in that connection was that the figure does not represent prices of individual consignments of the three qualities but the average of the three.

Mr. Kasturbhai.—We have got to give you certain figures and I am suggesting to you that these figures are not fool proof.

President.—We have got to take the figures from the Chambers, the Millowners' Association, the Lancashire Delegation for what they are worth and we are endeavouring to get them verified by the Customs, and I was wondering whether you would help us a little more. Since arriving here we find that you have got a big market in which Indian goods and imported goods are sold. As I mentioned yesterday, we shall be glad if you would be good enough to take us round the market so that we can see for ourselves the conditions in which Indian and imported goods are sold and you have sent in a certain amount of samples and prices. I was wondering whether we could have a wider and bigger range in this market of these goods.

Mr. Kasturbhai.—We shall be delighted to take you round as you suggested yesterday, but then to say that Ahmedabad is a big market for Lancashire cloth would be wide of the mark. We are keeping on manufacturing many beautiful styles and it is exactly for that reason that there won't be much of Lancashire imports to be found in the local market.

President.—I am quite sure you have been sending your goods to various consumption centres and you find you are up against the imported article: you promptly find out what it is, you manufacture and send it back there and you compete with it, and generally I have formed the impression, from what I have seen since I arrived here, that you will be in as good a position to give us samples of similar imported goods as anybody else.

Mr. Kasturbhai.—Yes, but that will not be from the Ahmedabad market.

President.—I accept the correction! Now, first of all we have got to get to this question of similar goods produced in India. Our terms of reference say that the goods must be similar goods produced in India. You have been good enough to tell us about that, but will you make it clear again as to what your views are on this question of similar goods produced in India against the imported article?

Mr. Kasturbhai.—I had thought that the English language generally does not leave any loophole in the matter of construing it and still I find that there are different constructions put on the terms of reference and I at least with my limited knowledge of English was puzzled. I referred to the dictionary with reference to this word 'similar' and I find similar means alike and if it is to be alike, it means alike on all fours, that is to say, everything will be one and the same. If it is not alike it is not similar.

President.—When you say similar means in all things alike, does that mean identical?

Mr. Kasturbhai.—Absolutely.

President.—If that is so why did they not say identical in our terms of reference?

Mr. Kasturbhai.—I have never looked to the Commerce Department for the exact phraseology in these matters. They may naturally not possess the knowledge of the technique of the cloth that we have got to equate prices for identical goods. If it had occurred to the Secretary of the Department that there was going to be a row over the phraseology, that there would be difficulty over construing the word similar, he would have chosen another word!

President.—Probably if they had I would not be sitting and talking here to-day, but the fact is I don't think that we can accept that that was the view when the people in Delhi framed this terms of reference for this reason that the Noyce Tariff Board pointed out how difficult it was to make a comparison. The Hardy report emphasises this difficulty of making comparisons: the report of Dr. John Matthai, of which my colleague Mr. Fazal Ibrahim Rahimtoola was a Member, also recognises that same difficulty. With all due deference to whatever the Government of India may have thought about the terms of reference I think they had in view this particular difficulty: I think they have deliberately put in this word—we have never written to them nor have they written to me but the feeling that I have about the word similar is that it means more than identical.

Mr. Kasturbhai.—If that were so they have been asking you to equate prices of goods that are being imported from Lancashire against goods that are being made or can be made by the Indian manufacturers: by your knowledge you know that no sooner the construction of a cloth differs either in reed and pick or count the price will differ and you will fail to equate prices if you cannot take identical goods.

President.—Do I gather that you suggest that if I have two pieces of cloth and in the one the count of the warp is different from the other or the count of the weft is different, that we cannot equate prices?

Mr. Kasturbhai.—I showed you only yesterday from actual record and if you want it I shall get the record over here and produce 100 samples wherein leaving aside everything else as being identical if there is a difference of about 8 picks the price in that class of goods goes up or down, and if the price goes up or down, your duty, as I have understood it, being to equate prices

President.—I agree with you, but I have not got the length of the picture. Do you mean to suggest that if I have two pieces of cloth and they are different in measurement, I cannot equate the prices?

Mr. Kasturbhai.—You can take the ratio and adjust it.

President.—Take counts. I can equate that too I suppose?

Mr. Kasturbhai.—Subject to proper allowances being made it can be equated but that proper allowance can only be made with a very thorough assistance from the Bombay and Ahmedabad Millowners' Association. There is no other way of doing it.

President.—I have great respect for the Bombay and Ahmedabad Millowners' Associations and it grows every hour and I hope to have the pleasure of an agreement on this point. But suppose we cannot get an agreement then our technical expert may be able to do something.

Mr. Kasturbhai.—Everyone of us is keen on making an honest endeavour to guide you to the best of our ability.

President.—I find that to be so.

Mr. Kasturbhai.—If that be so, there is no chance, in my view, of having any difference as to what allowances can be made for certain articles. Unfortunately, I understand, after the enquiry is over you are going to write your report in Calcutta, that is to say if any assistance is required from us that is going to be a difficult task: otherwise we submit we are in a position to produce actual facts and figures before you to convince you that the duty has got to be levied not by isolated instances of one particular mill here or there but half a dozen instances, if you so desire.

President.—I quite appreciate that, and we shall take full advantage of your offer and the offer of our friends in Bombay with a view to arriving at a common ground as much as possible after taking the adjustments into account. To that extent you will have to get all the samples necessary. You have been doing that: if possible give us a few more. We have got to the length of getting import prices and the difficulty in dealing with similar goods and making adjustments. The next thing we have got to come to is the fair selling price I would like to have your view on fair selling prices. I would like to point out first of all, what you have already said, that there is a wide difference of opinion in that connection. The supporters of the other side of the case say if somebody is selling goods week in and week out and month in and month out and probably over a fairly wide period round about certain prices, that ought to be taken as the fair selling price. Do tell us what your view on this point is.

Mr. Kasturbhai.—As far as the absurdity of the argument advanced is concerned I think it has been fully exploded in our rejoinder. If you will refer to our supplementary representation we have said that there would be no necessity for the Tariff Board to sit and enquire into the subject. We say in our supplementary memorandum "The aim of the inquiry is not only to maintain the industry but also to give it a scope for growth and development. Fair selling price for the Indian producer would mean that price which has been considered fair for these purposes. As laid down by the previous Tariff Boards and accepted all through in inquiries for the grant of protection, the fair selling price must secure to an average producer not only a provision for the bare works cost but also other necessary expenses like interest on working capital, sales expenditure, remuneration for the agents, and a return of 8 per cent. on the capital sunk. Such a price could not always be identical with the market price as the latter is influenced by the disparity between supply and demand and foreign competition. In fact there would be a difference between the two and that difference would roughly measure the handicap under which the Indian producer has to work in meeting foreign competition. It is to assess this difference that the Tariff Board is sitting; to take the market price as Fair Selling Price is therefore not only a faulty method, but also a negation of the principles hitherto recognised for the maintenance and development of the industry".

President.—You have dealt very fully with the question. I quite agree with you. I was only mentioning here that there are two sides of the case. The importers point is this, as I understand it. He says "we are selling goods in this market: all we know is the price we are up against. Take an article the price of which is Rs. 10 we compete against it at Rs. 10; we know that. The fact is there; we can't get over that, or the selling price may be Rs. 12 or Rs. 13". The importer says "we do not know; all that we can speak on is as we find the position".

Mr. Kasturbhai.—Assuming for a moment that no protective duties are in existence in India, not only no protective duties but no revenue duties on piecergoods are in existence in India, would the Indian mills as such be functioning or would they cease to function? Should they have been functioning and selling their goods, will that be the fair selling price that those mills will then be realising? If protective duties are taken off, revenue duties are not in existence, still there will be cotton mills in different parts of India; they will be selling goods in the Indian market. Am I to understand my friends suggesting that those would be fair selling prices that they would be obtaining or would the fair selling price be those which they had been obtaining before the protective duties were removed?

President.—You have put in a hypothetical case that does not exist. That is why we are here—to see that the facts are not as you have put it. I personally appreciate the point of view, Mr. Kasturbhai, namely that you don't agree to that because you will be forced by trade conditions. Assuming that Lancashire came out here to sell an article at, say, Rs. 10 and they find you are also selling the articles at Rs. 10 and they say "all right, we

have got to compete against it". Then suddenly somebody else comes in and begins to sell similar goods at Rs. 8 or Rs. 9 and the price you will get then will be Rs. 8 or Rs. 9 if you are going to compete or you have to close your mill and the other one has got to make up his mind whether he is going to stop importing goods or not. I am saying all that to show the difficulty that arises in reconciling fair selling prices with pure selling prices. Surely the mills' realisation price is presumably its selling price, but it does not necessarily follow subject to whatever enquiry we may make on this subject that it will be, in your opinion, a fair selling price.

Mr. Kasturbhai.—Quite.

President.—Our friends from the United Kingdom in that connection put in a method of arriving at this equation and you don't approve of that.

Mr. Kasturbhai.—No.

President.—I find you and your friends from Bombay have adopted a not very dissimilar method and you think there is more justification for that method than the other method. Will you just explain to me the difference between the two?

Mr. Kasturbhai.—I have not followed you.

President.—Our friends from Lancashire took Indian goods Home, had them priced and sent them back here or submitted to us prices of these Indian goods which they say they could manufacture and send to India at particular prices. On the other hand, you, the Indian mills, took Lancashire goods and proceeded to price the Lancashire goods and you say that you could produce these Lancashire goods at those prices mentioned by you. In a way you have both given us figures for not what you are making, but what you think you could make at a certain price or the price if you did make in your respective mills. There is a difference between the two in my own mind and I would like to know what the difference is in your mind.

Mr. Kasturbhai.—We have taken that according to the terms of reference the Board is under an obligation to find out the fair selling prices of the cloth that could be manufactured in Indian mills against the goods that are being imported. They have said it in so many words.

President.—That is right

Mr. Kasturbhai.—"By adequate protection is meant duties which will equate the prices of imported goods". So the question as it has been represented by the Lancashire Delegation does not arise in my view. It is outside the terms of reference.

President.—And in your own particular case where you have given us prices of Lancashire goods.

Mr. Kasturbhai.—Under the terms of reference we had to give you the prices of the imported goods from Lancashire and give you the costings of the goods if we had to manufacture them.

President.—That is not in the terms of reference.

Mr. Kasturbhai.—By adequate protection is meant duties which will equate the prices of imported goods. So imported goods have got to be taken as the basis. Without taking the imported goods into consideration, no further progress can be made with regard to the enquiry. Taking the basis of the imported goods as such, the next point that the Board has got to concern itself about is to find out what would be fair-selling prices at which Indian manufacturers could produce these types.

President.—You mean we have got to compare the prices of imported goods with the fair selling prices of similar goods produced in India and you think therefore that there is more of a justification for what you have done than what Lancashire friends have done.

Mr. Kasturbhai.—As we have suggested in our representation right from the beginning we have absolutely concerned ourselves to the four corners of the terms of reference.

President.—In your answers to the questionnaire in speaking of the United Kingdom prices you rather indicate that the existing scales of duties

are in relation to costs which have ceased to exist and the prices of the United Kingdom goods appear to be lower than expected. Take also your supplementary representation and correlate the two. You point out that Lancashire are putting in a lot of scheme into effect and presumably with a view to getting lower costs and being able to compete better in the world markets.

Mr. Kasturbhai.—Yes.

President.—I think we put that very point to the Lancashire Delegation or somebody else and the answer that we got, if I am right, was that what they were trying to do was not to lower the costs, but to eliminate the black sheep who were undercutting others from the fold and to receive higher prices. That was their point of view. Would you tell me what your view is on the subject?

Mr. Kasturbhai.—Would you like me to submit a note about it? I am in a position here to give you a summary of what has been done in order to enable Lancashire to send in goods particularly to the Indian market at cheaper prices than what they have been accustomed to in the past.

President.—That is what we want to get at, because the general impression that we formed from our examination of the Lancashire people in that connection was whatever they were doing in the way of re-organisation including the going to Parliament with a view to eliminating various factors was all done with a view to raising the prices and not lowering price.

Mr. Kasturbhai.—In October 1932 there was a uniform wage reduction of 12½ per cent. in the spinning list. Could that be with regard to the raising of the price of cloth or will it mean greater . . . ?

President.—They say for efficiency.

Mr. Kasturbhai.—12½ per cent. cut on the current wages. There have been similar cuts in the case of weavers, drawers, twistors, sizers and loom-overlookers and also in finishing and bleaching departments. In September 1932 substantial reduction in bleaching charge was announced. 5 per cent. special surcharge was removed; 5 per cent. special reduction given in shirtings; 15 per cent. special reduction given in mulls. In May 1934 there was a special reduction in printing from 15 to 20 per cent. and it was applied to Indian styles in particular. The import duty of 10 per cent. on dye stuff was removed to enable it to send out dyed and printed stuff. Redundancy scheme has been well known to every one who has been concerned either with the Indian Textile trade or the Lancashire Textile trade. It means that those mills whose costs were very considerable have been amalgamated practically at scrap value to-day with the result that their competing power has been considerably increased having no interest or depreciation charges to bear henceforward. I submit that none of these could ever be for raising the prices. They are all intended to overcome the difficulties caused by duties. In order to regain the markets that they have lost they are introducing various schemes. Besides, as you may be knowing, this year they have so evolved a scheme that the weavers who have been looking after 4 looms will henceforward be looking after 6 looms and still earn the same wages which means a very heavy reduction in costs.

President.—Not necessarily. For your statement of case, you don't need to say that the Lancashire weaver will have to look after 6 looms.

Mr. Kasturbhai.—That has appeared in the papers. They have to look after 6 looms and will be paid only 15 per cent. more.

President.—You know what the labour is in Ahmedabad.

Mr. Sakarlal.—Instead of 50 per cent. to which they are entitled they have been given only 15 per cent. more.

President.—You say they are entitled to have. Labour man says it every time. I do not know whether there is any proprietor in India or Lancashire who would be prepared to say that. I would not press that point. Taking this view of the future prices generally of Lancashire goods, could you give us an idea of your future prices? Assuming that we were to equate, you

have to give us an idea as to what the trend of the future prices was going to be, if somebody were not to harass you in the near future. Am I to take to-day's prices or last year's prices or the prices of the next two or three years?

Mr. Kasturbhai.—My idea may be anything. I am afraid under the terms of reference you have got to take the fair selling prices which are in existence for the last few months or say the better part of this year.

President.—Are you sure you are not making it too narrow? I have a feeling that it is too much to expect that at the end of this year or in another year you should have another Tariff Board. Your friends might say "we legislated only last year and again you want another enquiry".

Mr. Kasturbhai.—As far as the Textile Industry is concerned, it has made economies in every direction which will be borne out by the statements that my Association has submitted to you regarding 12 mills over a period of 5 years as a result of protection—not that we have been sitting still and doing nothing, but we have been absolutely alert and trying to stand up on our own legs and take the fullest advantage of protection that is in existence either in the form of revenue duties or protective duties. In this connection I want to bring to your notice that Labour legislation is moving apace in India and it will have to move on because of the conditions that are prevailing in the country. That being the position at least the view of my Association is that we have absolutely reached the limit of reducing our costs. If there was a room for any further reduction at least the Ahmedabad Mill-owners would not have waited particularly in view of the fact I submitted to you a statement showing the condition of the Ahmedabad Textile Industry for the last 3 years, 1933, 1934 and 1935 wherein you will find that our position has been considerably weakened because of the competition that is ahead and the view of my Association is that no further reductions are possible, as far as the Ahmedabad Textile industry is concerned. Whatever reductions could be made through wage reductions have definitely taken place in all centres of India including Ahmedabad. Take for instance Bombay, Nagpur, Indore, Delhi, Coimbatore, etc., everywhere reductions effected in the form of wages have been adjusted to other reductions in costs.

President.—That is very helpful. I rather gather that what you wish to convey to us is that as regards costs you have done a great deal—almost as much as could possibly be expected—in getting down your costs to an economical basis of working.

Mr. Kasturbhai.—That is so.

President.—Therefore as far as costs are concerned, we can reasonably take the conditions as you have given them to-day as being what will be fair and equitable from the cost point of view for a short time. Similarly may we take the same for Lancashire in view of what they have been doing?

Mr. Kasturbhai.—No.

President.—Why?

Mr. Kasturbhai.—As far as we are concerned, as I stated, we have not merely made a reduction in wages, but we have gone over to the rationalisation system. We have reduced our cost of fuel and we have reduced our cost of stores. I am in a position to submit to you as many examples as you will like wherein I can definitely show that the cost of stores was so much before two years and the cost of stores this year. All sorts of economies have been effected. In the case of Lancashire it is different. It is different from this point of view that it is not merely an industry which is very well organised and very capable as they themselves point out in their representation in so many words "... but it is a profound error of judgment to overlook the fact that even at its present volume of production and with its present markets, in terms of values Lancashire is still the greatest exporter of cotton piecegoods in the world, has still facilities for the production of a range of goods greater than that of any other manufacturing centre, and still leads by a handsome margin all its competitors in the breadth of its

technical resources". I take it that when it has been drafted by such capable people, it must be taken at its full value and worth. Those technical resources are a bugbear to the Ahmedabad industrialists.

President.—What they are actually speaking of is nothing but the truth. As I read into it, they are still the largest exporters—in point of value yes, but certainly not in point of quantity. Our friends from Japan are ahead of them. They are exporting far more goods to-day and competing in India than Lancashire. That has a reference more to value.

Mr. Kasturbhai.—The technical resources have got to be taken into consideration and as we have pointed out in our representation we have definitely made a point of it. It is exactly there that our difficulties arise in the matter of finishes, bleaching processes, dyeing processes and printing processes. It is not the money which could buy the machine and which could be operated upon, but it is really the experience of the technical resources which are at the back of a particular organisation which will win the market.

President.—So I am able to judge since yesterday.

Mr. Kasturbhai.—Thank you.

President.—There is one other point which occurs to me. We have got to go into the question of costs. We have gone right through the various competing things and we have had your views on the question of samples, on the question of Lancashire goods and you have been telling us about costs. I propose to ask one or two questions on that subject later on when we examine you in camera on costings. At this stage I have occupied a good deal of your time and I would now like Mr. Fazal Ibrahim Rahimtoola to ask you a few questions.

Mr. Rahimtoola.—The Ahmedabad Millowners' Association have submitted to us their representations and I would like to take one by one for easy reference so that you may be able to follow the points that I would like to discuss with you. I would first take the first two paragraphs of your representation dated 25th November, 1935, where you have traced the history of the protective legislation.

Mr. Kasturbhai.—Yes.

Mr. Rahimtoola.—I would like to know whether there is any period or year in which adequate protection has been granted to the industry in spite of the fact that there have been two Tariff Board enquiries.

Mr. Kasturbhai.—Definitely no. As a matter of fact, as I submitted in reply to the President's question if the protection that was recommended by the last Tariff Board had been granted, we would definitely have been in a position to produce a style which, in spite of our best efforts, we have failed to produce either in Ahmedabad or Bombay.

Mr. Rahimtoola.—Even when protection was granted in 1930, it was not granted as a result of a Tariff Board enquiry.

Mr. Kasturbhai.—No.

Mr. Rahimtoola.—You consider that although protection was granted, it was not adequate in the sense in which the word adequate is used in the present terms of reference.

Mr. Kasturbhai.—That is so.

Mr. Rahimtoola.—You have referred that the pact was opposed by a section of the industry. I have no desire to go into the merits of the pact, but I only want to know whether the opposition was due to the fact that adequate protection was not met by the terms of the pact.

Mr. Kasturbhai.—We wanted to rest our case upon the findings of the Tariff Board rather than come to an agreement without knowing whether we had a case or not. We were so confident that the Tariff Board which enquired into the industry in 1932 could not, on the case submitted by us,

come to any other conclusion but that a substantive protection was necessary against the goods that were being imported from the United Kingdom.

Mr. Rahimtoola.—I would like to trace the progress made by the industry although the protection granted has not been adequate. It will enable me to deal with the question which you have raised about India being able to supply all her cloth requirements.

Mr. Kasturbhai.—I submit that it has been conceded that there has been sufficient protection in the matter of grey goods. But we have pointed out in our representation that even in the matter of grey goods we have not been able to compete against the imports from the United Kingdom in jaconets.

Mr. Rahimtoola.—What about the mulls?

Mr. Kasturbhai.—I am coming to that. Though protection has been generally sufficient in the matter of grey goods, still we definitely find that in the matter of jaconets we have not been able to compete. We have not been able to do so merely because protection has been found insufficient. If it had been sufficient there was no reason why jaconets could not be manufactured not only by Arvind or any other mills that were put up recently but also by mills which had been trading in the fine qualities.

Mr. Rahimtoola.—Do I understand that according to you protection has been more or less ineffective with regard to grey jaconets?

Mr. Kasturbhai.—Yes, that could easily be proved not merely from the import figures but also from what we have stated in our replies. If you look up the statement that we have submitted in answer to the Special Tariff Board's questionnaire, you will find that we have given you 3 styles of grey jaconets and told you what would be the fair selling prices for these three varieties of grey jaconets if Indian mills were to produce them against the selling prices of imported goods.

Mr. Rahimtoola.—I would like to take up the question of prices a little later. Your point of view is that we should equate the fair selling prices with the import prices and not with your selling or realized prices.

Mr. Kasturbhai.—Exactly.

Mr. Rahimtoola.—That is the object. The object of presenting the statement is to bring out similarly produced goods and not necessarily to ask us to equate in terms of the prices given.

Mr. Kasturbhai.—We wanted to say definitely that in the matter of grey jaconets and mulls, the protection had fallen short and therefore the Indian mills were not in a position to manufacture them.

Mr. Rahimtoola.—Another point which you want to put forward is that under the terms of reference India is capable of producing these classes of goods which are being actually imported into this country at the present moment, but you are unable to do so on account of the question of prices.

Mr. Kasturbhai.—Quite so.

Mr. Rahimtoola.—Have you got any other evidence barring the figures of imports on which you can rely for the point you are making?

Mr. Kasturbhai.—I have just pointed out that we have given you evidence.

Mr. Rahimtoola.—Yes, on the question of prices you are unable to make them.

Mr. Kasturbhai.—Yes.

Mr. Rahimtoola.—That means according to you the industry has made progress with regard to grey goods with the present duties of 25 per cent. *ad valorem* or 4½ annas per lb. whichever is higher.

Mr. Kasturbhai.—Except in the matter of jaconets.

Mr. Rahimtoola.—What is the position with regard to bordered grey?

Mr. Kasturbhai.—The present duties are sufficient.

Mr. Rahimtoola.—And the industry has made progress.

Mr. Kasturbhai.—Yes.

Mr. Rahimtoola.—Now I come to bleached goods.

Mr. Kasturbhai.—In that connection we have pointed out to you in our first representation that in the matter of bordered dhooties—we have given you figures for 9 years—the consumption has been constant. I believe the average is struck at about 1,172 million yards.

Mr. Rahimtoola.—But the sarees are included under the head “dhooties”.

Mr. Kasturbhai.—That has been the bugbear of the industry. We have been pressing the Government, now for at least eight years I believe, to have the classification prepared in such a manner as to tally with the classification that is being made in the Customs Department. I understand that since then an enquiry has been held departmentally by the Government in which connection Rai Sahib Mookerjee was on special duty. He has submitted his suggestions. It is most essential that this classification has got to be identical in order to find out the classes of imports competing with Indian manufactures. Until then, we are not in a position to submit to you any figures which will be conclusive.

Mr. Rahimtoola.—Though you have stated dhooties, it is not all dhooties.

Mr. Kasturbhai.—There is a distinction of border in the matter of dhooties, but really speaking sarees are included in dhooties.

Mr. Rahimtoola.—It is a very big percentage compared to the total production in India.

Mr. Kasturbhai.—Yes.

Mr. Rahimtoola.—Coming to bleached goods, what is the position with regard to duties and the progress made by the industry?

Mr. Kasturbhai.—As we have suggested, in the matter of nainsooks we have been in a position to produce goods and compete with the present duties, but in the matter of mulls, it is not only that no Indian manufacturer can touch it, but I understand that it is difficult even for the Japanese to compete against the Lancashire mulls.

Mr. Rahimtoola.—Even the Japanese cannot compete?

Mr. Kasturbhai.—No, they cannot.

Mr. Rahimtoola.—There are various kinds of qualities that are coming into India under this head “bleached white goods”.

Mr. Kasturbhai.—Yes.

Mr. Rahimtoola.—In one or two instances I find that the import figures have gone up and I want to know what is the position of the Indian industry with regard to those items. You say “The duties however appear to be helpful in the case of nainsooks and a little less so in the case of long cloths and shirtings”. What about the other classes? Do you mean to say that no progress has been made in them or that the duties have proved ineffective?

Mr. Kasturbhai.—If you look up the classification of white goods, you will find that it is really three or four items which constitute the bulk of the trade.

Mr. Rahimtoola.—I am only drawing your attention to the figures which I saw the other day. Jaconets, Madapollams, Cambrics and Muslins, if you look at the figures, have practically doubled in 1933-34 as compared with 1925-26. I want to know whether any progress has been made by the Indian industry as regards these lines as far as white goods are concerned.

Mr. Kasturbhai.—As I said, in the statistics that are being collected the Indian manufactures of grey and white goods come under one heading. They are not under two separate heads as they are in the case of imported goods. That being the position, it is not possible for me to say.

Mr. Rahimtoola.—That is the reason why you have given grey and bleached together.

Mr. Kasturbhai.—Yes.

Mr. Rahimtoola.—Could you from your knowledge say something about this matter?

Mr. Kasturbhai.—Very decidedly, as far as the Ahmedabad centre is concerned, our production in bleached goods has considerably increased. But in what particular styles it has increased it is very difficult to say, there being no reliable data which I can put before you and satisfy you.

Mr. Rahimtoola.—The recent figure in respect of that item is 20,863,968 as against 14,163,187 yards. There is a very big rise in 1934-35. I come to the next item which is coloured goods. You have grouped the whole thing together, though I find that it is composed of three items, they are printed, dyed and coloured woven. I will take one by one in order to see the extent of the competition and the progress of the industry.

Mr. Kasturbhai.—Yes.

Mr. Rahimtoola.—You said that the industry had made no progress with regard to this head owing to the inadequacy of the duties. At present the piece dyed and the yarn dyed are put together.

Mr. Kasturbhai.—Yes, with regard to imports.

Mr. Rahimtoola.—What is the position with regard to Indian manufactures? All are grouped under coloured goods.

Mr. Kasturbhai.—Yes.

Mr. Rahimtoola.—Are you in a position to tell us something about printed goods?

Mr. Kasturbhai.—As far as printed goods are concerned, the position is this. You will remember that at the time of the last enquiry the Ahmedabad Millowners' Association particularly requested the Board to look into this matter and give us adequate protection in respect of printed goods not merely from the point of view of the Mill industry as such but as it meant a very substantial employment to a large number of hand printers not only in Ahmedabad but in several other towns of India. Printing has been one of the most indigenous industries of India and because of the competition it has been going down in its production. We not merely did that, but we produced facts and figures. We submitted samples of the class of goods which were being manufactured by mills and printed by local printers. Unfortunately as I said those recommendations of the Tariff Board were not given effect to and therefore we have failed completely in getting any protection worth the name in these particular styles.

Mr. Rahimtoola.—I understand that printing is done in two ways. One is block printing and the other is machine printing.

Mr. Kasturbhai.—Yes.

Mr. Rahimtoola.—The machine printing is done by the mills and the block printing is done by weavers or people who are employed.

Mr. Kasturbhai.—By printers.

Mr. Rahimtoola.—Is it possible for you to give us any idea of the production?

Mr. Kasturbhai.—It is a sort of cottage industry which has been spread out on a very large scale. I can cite the example of one person who was engaging quite a number of people and turning out prints and exporting them to Siam and Bangkok. That market has been completely lost to us.

Mr. Rahimtoola.—Who are competing in these markets?

Mr. Kasturbhai.—Both Japan and Lancashire.

Mr. Rahimtoola.—I would like to know how printing is done and on what kind of cloth?

Mr. Kasturbhai.—It is done by printers on grey cloth. I am taking the Board to-morrow to show how the printing is being done and on what type of cloth.

Mr. Rahimtoola.—It is therefore only the grey cloth on which the printing is done.

Mr. Kasturbhai.—Yes. It was said the other day that consumers were paying for the duties which were not benefiting either the mills or the textile industry as such. My submission is this. It may be true that we are not able to manufacture these styles because we have not got sufficient protection, but then as far as printed goods are concerned printing by itself forms a certain portion of the cost of production. You cannot take that off and keep the duty on the grey cloth. If the printed goods are to be had cheaper—suppose you levy a duty on grey goods of 25 per cent. and do away with the duty on printed goods—it would not benefit any one. If that be the view of the Tariff Board what will happen is this that by taking away the duty on printed goods, printed goods will replace the grey goods. After all printed goods are nothing more than the coloured or grey goods.

President.—With the additional expenditure of printing?

Mr. Kasturbhai.—Yes.

Mr. Rahimtoola.—How much will that be?

Mr. Kasturbhai.—We have no idea because no progress worth the name has been made.

Mr. Rahimtoola.—I understand that. That was the point which I wanted to be made clear, whether there is any indirect competition. The point that has been raised by the Bengal Chamber of Commerce definitely is that printed goods from the United Kingdom do not compete with similar goods manufactured in India and therefore no samples have been submitted. I therefore want to know if printing charges could be separated and what kind of cloths are used for printing purposes.

Mr. Kasturbhai.—They vary according to the printing done on them. I have got here a report in which the printing costs are given in the case of discharge printing. It will cost as such as 50s.

President.—Do you mean to tell me that printing is more than 50 per cent. of the cost of material?

Mr. Kasturbhai.—Yes; 50 per cent. will have to be added for discharge printing.

Mr. Rahimtoola.—Will you give us a separate note on the subject? I would like to get the figures of the cost of production. Suppose a yard of cloth costs about 10d., what will be the printing charges?

Mr. Kasturbhai.—I shall quote facts and figures and submit a considered note.

President.—I see here we have got in the figures you have sent in finishing cost, bleaching cost and so on of discharge printed goods. The figures that you have given here include finishing and everything, not merely printing.

Mr. Kasturbhai.—The goods that are printed have got to be finished. They are not merely printed and sent off to the market.

Mr. Rahimtoola.—Is it possible, if the duties were reduced or done away with, as far as printed goods are concerned, there might be goods printed on in such a manner that when they reach India the printing might be washed away and the goods sold as ordinary cloth?

Mr. Kasturbhai.—I am not in a position to answer that question.

Mr. Rahimtoola.—You might bear that in mind when you write the note. I would like to know whether the class of cloth that comes in will also compete with the class of cloth manufactured in India.

Mr. Kasturbhai.—That question does not arise. What we submit is this: that you are asked to equate prices of goods that are being imported against the fair selling price of goods that are manufactured in India. That being the position, I submit that on facts you will have to recommend a very high percentage of duty in order to enable us to produce

these goods. The duties being taken off in the case of printed goods in order to benefit the consumers as far as I can see is not in the terms of reference and therefore will not arise.

Mr. Rahimtoola.—It is a very important point that you have raised. The Bengal Chamber of Commerce have stated that the printed goods made in United Kingdom are not similar to those being produced in India.

Mr. Kasturbhai.—Therefore no objection need be given so that the printing industry may never be taken up by the Indian industry?

Mr. Rahimtoola.—Because the industry does not exist: that is the point of view put forward before us and therefore I would like to have your considered note on the subject.

Mr. Kasturbhai.—Yes.

Mr. Rahimtoola.—When you raise this point and say there are no styles made in India, how do you wish us to equate prices? At present the duties are on plain grey and other sorts. Do you want us to group all other sorts and then average them to equate the prices?

Mr. Kasturbhai.—It will have to be taken in three sections; the three sections will again have to be sub-divided in sub-sections in order to arrive at the duty on other sorts. You have to take lawns to equate against lawns or shirtings will have to be equated against shirtings. You can't equate the prices of lawns against shirtings.

Mr. Rahimtoola.—Your three sections, as I understand it, are grey, bleached and coloured?

Mr. Kasturbhai.—Yes.

Mr. Rahimtoola.—Plain grey will be easy because we can take representative qualities on both sides and arrive at an average and equate prices but as regards white and coloured there are so many varieties that I would like to have some suggestions as to how you wish us to equate them.

Mr. Kasturbhai.—My suggestion is this: in the case of white you will have to take the main varieties which are being imported and against them to equate the prices of the Indian manufacturers.

Mr. Rahimtoola.—Then that would be a separate division?

Mr. Kasturbhai.—Three divisions will have to be there, because my submission is, and that I think is the submission of the Bombay Millowners' Association, that in the case of dyed and printed goods the duties have fallen far short of the requirements and adequate increase will have to be made in order to equate prices.

Mr. Rahimtoola.—You want us to change the existing level of duties.

Mr. Kasturbhai.—The method that is in existence is this, that in the matter of grey we have got an *ad valorem* and specific duty; in the matter of bleached, dyed and printed there are *ad valorem* duties, so the scale of duties is divided into three sections. My submission is that these three sections may be retained, but in the matter of grey you have to raise or lower the *ad valorem* and specific duties, in the matter of bleached, printed and dyed you will have to raise or lower the *ad valorem* duties according to the equation of prices.

Mr. Rahimtoola.—That means, separate the coloured and white and arrive at a duty after getting representative qualities of each of these?

Mr. Kasturbhai.—That was actually done and that will have to be done I suppose.

Mr. Rahimtoola.—When you say that you will be able to provide for the whole need of India if adequate protection is granted, I wonder whether your attention has been drawn to the statement of the Lancashire Delegation on this point. In their statement No. 2 in the second paragraph they say "The trade which the United Kingdom has retained has been for the most part in goods which possessed some special attribute of quality, appearance, feel or durability, or else has been gained on facilities

United Kingdom suppliers were able to offer or on the attractiveness of some well-established marks". Suppose adequate protection was granted would you be in a position to produce similar goods?

Mr. Kasturbhai.—I believe I have been able to convince my friends from Lancashire that we can produce them and as a matter of fact I have got positive proof in writing from them that we can produce them.

Mr. Rahimtoola.—In this representation you have given us figures of the total yarn retained. Where did you get these figures from?

Mr. Kasturbhai.—From the census of production, 1930. There has been a misprint; instead of millions it ought to be thousands of lbs. I can authenticate those figures.

Mr. Rahimtoola.—What exactly do you mean when you say: "As seen, however, in the grounds already covered there are clear proofs that Lancashire does not find it difficult to compete even after paying 25 per cent. duties".

Mr. Kasturbhai.—That is with regard to jaconets, mulls in the grey and bleached stage.

Mr. Rahimtoola.—That applies only to those qualities?

Mr. Kasturbhai.—I mean in three important qualities. Even in the matter of dhoties imports are going up and also in regard to bleached longcloths, shirtings, mulls, jaconets and coloured goods.

Mr. Rahimtoola.—When you say the figures of dhoties are going up, what figures have you in mind?

Mr. Kasturbhai.—The import figures.

Mr. Rahimtoola.—Will you tell me which years?

Mr. Kasturbhai.—The point that has been made with regard to dhoties is that there is a limited market in the matter of dhoties and that being so, if the imports were to increase it can only mean shutting down of several plants in the Indian industry.

Mr. Rahimtoola.—You have said that as far as consumption per head is concerned it has remained stationary. At present India is able to get its requirements from three sources; one is the Indian mill cloth, second is the imports from Lancashire and the third is imports from Japan. With regard to imports from Japan there is a quota and that has been limited to a maximum import of 400 million yards. Therefore your point, as I understand it, is this that if a reduction in duties takes place, as the consumption per head is stationary, the increase in imports will be at the expense of the mill production?

Mr. Kasturbhai.—That is the point. As far as dhoties are concerned if you look up the figures in the year 1926-27, they have been round about 1,200 million yards.

Mr. Rahimtoola.—That means people are getting more and more civilized?

• *Mr. Mudaliar.*—Madras people are sticking to dhoties!

Mr. Rahimtoola.—In your original representation you say that the hours of work have changed from 10 to 9 which has led to an increase in the cost of production by about 5 per cent. Can you give me details of the increase?

Mr. Kasturbhai.—I can substantiate that statement in detail if the Board desires. Will it do if I submit a note on the subject?

Mr. Rahimtoola.—Why I am asking for a note is because this point has been brought prominently to our notice, and the Bombay Millowners' Association have included it in their cost statements.

Mr. Kasturbhai.—I will substantiate the statement that we have made.

Mr. Rahimtoola.—I want to ask you one question about prices. I find that the price of cloth generally depends upon the price of cotton.

Mr. Kasturbhai.—Yes.

Mr. Rahimtoola.—I find in the cotton prices since May, 1934, which is the year when the protection came into existence, that price of cotton has gone up, and I want to know whether it has any relation to the prices of cloth, whether they have gone up, remained stationary, or gone down?

Mr. Kasturbhai.—Cotton and cloth prices have got a very strong link in the matter of prices but from that it does not follow that the day cotton prices go up prices of cloth also go up, because there are other factors which come into play and it may be that though cotton prices may go up cloth prices may not and *vice versa*. I will give you one instance. During the last two months, the latter part of October and November and this portion of December, because of the war scare and other things the price of Egyptian cotton has jumped up as much as Rs. 50 or Rs. 60 per candy which would definitely mean that some of us who were manufacturing from Egyptian cotton will have to raise our prices. As a matter of fact we have been unable to raise our price by even an anna because there is no demand: goods were accumulating and we had to market them. Though, as I said, there is a definite link between cotton prices and cloth prices, it does not mean that that link is an absolute link from which one should follow the other in the matter of cost.

Mr. Rahimtoola.—Granting the point that you have made just now that there is a certain amount of lag, though you admit that there is a close relationship between the price of cotton and the price of cloth, still if the price is consistently up, there must be some sort of increase in the price of cloth. If you will see on May 3rd—I am talking of Broach, because that is the Indian quality on which the prices are based, you will find throughout that it has increased and it has gone as high as Rs. 252 per candy. I want to know whether during the period of 1½ years which has now expired since the protection was granted, there has been any tendency of increase in the price of cloth or it has not increased due to intense competition.

Mr. Kasturbhai.—The position is this that we have pointed out to you in one of our statements that as far as goods which are manufactured from the Indian cottons are concerned, there has been intense competition and that competition has not permitted the price of the piecegoods to vary in accordance with the price of cotton.

Mr. Rahimtoola.—You know that the prices of Indian cotton are generally based on the prices of foreign cotton.

Mr. Kasturbhai.—Not necessarily. If you make enquiries, you will find that the differences are very varied in many instances. At least there are one or two occasions in the year.

Mr. Rahimtoola.—Generally there is a relation between the prices of New York cotton and the Broach cotton.

Mr. Kasturbhai.—Yes.

Mr. Rahimtoola.—And I find that these prices have gone up.

Mr. Kasturbhai.—Yes.

Mr. Rahimtoola.—Apart from the coarse counts, what is the position with regard to the fine counts? You say owing to intense competition you have not been able to derive any benefit with regard to the coarse counts. What is the position with regard to fine counts?

Mr. Kasturbhai.—As far as the fine counts goods are concerned, the prices are ruled by the position in the import market. What I mean is if the imported goods are increasing in quantity, then the prices are kept down. If the imports are less, naturally the prices will be maintained.

Mr. Rahimtoola.—The prices depend upon the demand and sale and competition.

Mr. Kasturbhai.—It is bound to be so.

Mr. Rahimtoola.—Therefore the competition is keen even in fine counts?

Mr. Kasturbhai.—At present there is no internal competition. As far as the Indian mills are concerned, the competition is limited, but as far as the competition with imported goods are concerned, it is naturally very keen.

Mr. Rahimtoola.—If the consumption per head has been stationary in India have you been able to sell anything outside India?

Mr. Kasturbhai.—No.

Mr. Rahimtoola.—What is your position with regard to markets outside India?

Mr. Kasturbhai.—We have lost one after the other. The facts are there.

Mr. Rahimtoola.—What is the percentage you have lost since this protection was granted? You have rightly pointed out that the object of protection if it is adequate, leads to industrial development of the country and that would naturally mean a falling off in imports. If you have a natural industrial development there must also be an extension of the market.

Mr. Kasturbhai.—As far as the foreign markets are concerned, we are not able to compete with Lancashire or with Japan. As you know one of the fundamental conditions of Mody-Lees Pact is that we shall be in a position to compete in the colonial markets. The statistics will prove that we have not been able to regain any market worth the name as far as the Colonial Empire is concerned, but our exports to those parts have been declining or have been stationary more or less. Compared with 1932-33 they have been reduced from 66.4 to 57.7 millions.

President.—If you keep the Japanese and other competitors out of the Indian market, they are not going to sleep and allow you to retain the Indian market and also the foreign market.

Mr. Kasturbhai.—That is so even with regard to the competition from Lancashire. While, as a matter of fact, because of the limitation imposed on Japan, Lancashire gains certain markets, we have not been able to derive any advantage whatever. That is my point.

Mr. Rahimtoola.—With regard to the fair selling price, what exactly does the trade understand by that term?

Mr. Kasturbhai.—I believe we have dealt with somewhat exhaustively as to what we consider fair selling prices and how they should be arrived at.

Mr. Rahimtoola.—You have discussed it in the supplementary memorandum. Why I am asking this question is this that you are relying on the fair selling price as is generally taken by the Tariff Boards in the other enquiries or that you want to make any other addition to the fair selling price.

Mr. Kasturbhai.—No.

Mr. Rahimtoola.—In your cost statement you have included income-tax and super-tax.

Mr. Kasturbhai.—Yes.

Mr. Rahimtoola.—That is generally not included when we arrive at a fair selling price.

Mr. Kasturbhai.—I don't mind taking it off. I may have written it down under the impression that was one of the items included.

Mr. Rahimtoola.—And the second point is that I don't find any mention of the Managing Agent's Commission.

Mr. Patel.—That is inclusive.

Mr. Rahimtoola.—When Government have specified in the terms of reference fair selling prices, I want to know whether it is the fair selling price as is understood by the industry. We have been asked to equate the fair selling price and not any price.

Mr. Kasturbhai.—All the comparisons have been definitely with a view to give a fair selling price to the manufacturer.

Mr. Rahimtoola.—Fair selling price is a known term both to the industry and to the Government.

Mr. Kasturbhai.—As far as India is concerned very definitely.

Mr. Rahimtoola.—With regard to the costs that you have given in your cost statement, our attention has been drawn that these prices are theoretical prices and therefore the Board cannot take them into consideration in arriving at the duty which is necessary to afford adequate protection to the industry.

Mr. Kasturbhai.—Who told you that these are theoretical prices?

Mr. Rahimtoola.—I wonder whether you have read the statement which was presented to us by the Bombay Chamber of Commerce.

Mr. Kasturbhai.—We submit that as far as these costings that have been given to you are concerned, they have been taken out by my Association from the costings given to us by 5 mills and I am absolutely in a position to substantiate it not merely from the prices that have been given but we have submitted our costings for the last five years to the Board and we can prove from them that there is not a difference of a farthing.

Mr. Rahimtoola.—My point was this that the one mill is not producing one quality of goods. Since there are so many varieties of cloths produced by that mill, is it not difficult to arrive at the cost of a particular cost except on a theoretical basis?

Mr. Kasturbhai.—If the costings are not properly taken out, it will be difficult for any one to sell in the competitive market which India is. We are not working under a scheme of protection where there is plenty of profit and nobody will care what to manufacture and what not to manufacture. The very fact that there is so much competition from all directions—Ahmedabad is competing against Bombay and we are both again competing against Japan and Lancashire—forces at least most of us to take out exact costings and base our selling prices on those costings. I explained yesterday when the Board was on a visit to one of our mills how the costings were taken out. If they were required to be substantiated, I would do so.

Mr. Rahimtoola.—I would like to see them substantiated.

Mr. Kasturbhai.—My point is no unit of mill can be run without proper costings being taken out as it will be the case in the matter of yarn whether 20s or 30s will pay the manufacturer. Before he decides he takes out the costings. Similarly in the matter of cloth he does take out the costings in an odd variety. His costings may not be very exact, but ordinarily the costings are taken out before that construction of cloth is marketed or sold or produced.

Mr. Rahimtoola.—Is it not a fact that the present prices that you have given as fair selling prices of cloths which have not been produced in your mills?

Mr. Kasturbhai.—That is so, but that doesn't mean that those costs are wrong.

Mr. Rahimtoola.—Your point is that you have produced all these styles, but that you have not been able to produce the requisite quality.

Mr. Kasturbhai.—No. My point is this that as far as those fair selling prices that have been submitted to the Board are concerned, they have been based on the average of 5 mills and therefore I submit they are correct. I am in a position to give you the costings which could be substantiated from the cost figures that have been submitted to the Board.

Mr. Rahimtoola.—Will you be able to do so in camera evidence, if necessary?

Mr. Kasturbhai.—Yes.

Mr. Mudaliar.—This morning we were on the question of the terms of reference and I agree with you that it is very essential that we understand the exact scope and nature of the terms of reference. You pointed out

quite rightly that imported goods could only mean goods which are being imported at the time from Lancashire, and it was on that ground, I take it, that you took objection to Lancashire's procedure of taking over to their country goods which you are manufacturing and costing them because these will not be imported goods.

Mr. Kasturbhai.—Not merely on that assumption, but my objection is because this enquiry is in connection with the Indian industry, i.e., to find out the fair selling prices for the Indian industry, it is essential that the fair selling prices of the Indian industry should be taken into consideration compared with those of the United Kingdom goods. If the enquiry had been held in the United Kingdom to find out the competition that was being offered by the Indian goods, it would be proper to follow the method that had been suggested by the Lancashire Delegation. But as the enquiry is primarily concerned to give protection to the Indian industry, naturally the costings will have to be taken of Indian manufacturers against the goods that are landed in India.

Mr. Mudaliar.—Coming to the Indian side of the case, the terms of reference mention goods produced in India. Would it be correct to say that goods produced in India must mean either goods which are being produced at the moment or goods which will be produced in the near future?

Mr. Kasturbhai.—Quite so.

Mr. Mudaliar.—That is to say, having regard to the period of protection, goods which are either produced or which may be produced say within the next three years. Would you consider that as a reasonable proposition?

Mr. Kasturbhai.—Yes.

Mr. Mudaliar.—You were saying that certain classes of goods were still coming in. Take, for instance, grey goods. On the whole I take it that your position as well as that of the Bombay Millowners' Association is that with reference to grey goods, the duty has been effective and that goods are not coming into this country. Now you refer to particular styles of goods such as jaconets and madapolams. You said that they were coming in larger quantities still and you argued therefore that the duties were not effective so far as these goods were concerned. I want you to explain to me a lay man why you suggest that the duties are not effective with reference to particular kinds of grey goods and effective with reference to certain other kinds of grey goods. Is it due to fineness of counts?

Mr. Kasturbhai.—It is really the fineness of counts and particular spinning, which Lancashire is in a position to do. With regard to mulla, these are being manufactured out of mule spun yarn which is very fine. Therefore they are perhaps in a position to produce much cheaper or the quality that is produced is superior. We are not in a position to compete with Lancashire.

Mr. Mudaliar.—First, with reference to grey goods, can you give me any idea as to whether jaconets and madapolams are produced in this country at all?

Mr. Kasturbhai.—Some goods are produced.

Mr. Mudaliar.—Do you know of the quantities that are being produced?

Mr. Kasturbhai.—As far as the classification is concerned, it is not very clear. We referred to the Government of India and as the Government of India did not take any action, it has not been possible for us to give you figures.

Mr. Mudaliar.—I went through that correspondence. We have really nothing to do with it. You broke on the point whether you should begin first or Lancashire should begin first. You asked the Government of India to bring that classification in the case of imported goods and I thought that the Government of India's position was that the imported goods had been sufficiently classified and that they would begin the classification of mill goods. Virtually the negotiations broke off on that, if I may put it that way.

Mr. Kasturbhai.—That was not exactly the case and I think Rai Sahib Mookerjee will bear me out. When the Government of India did decide to have a proper enquiry made, the Bombay Millowners' Association and the Ahmedabad Millowners' Association gave him such assistance as was in their power to give, and I believe that points have been clarified by such willingness and openheartedness that it could not have been done better in any other way. Had that very enquiry been taken up by the Government of India a few years back, the Board would have been definitely in possession of facts and figures which would have facilitated their task to a very great extent.

Mr. Mudaliar.—With reference to other kinds of grey goods, the duty has been such that Lancashire goods have practically dropped out; in any case, they cannot compete with the Japanese imports and it is they that are really competing with your production. Take long cloth and shirtings in grey styles. I find from the figures that what you are up against in your bulk line production is Japan.

Mr. Kasturbhai.—Yes.

Mr. Mudaliar.—And that competition is really keen on long cloths and shirtings in Japanese goods.

Mr. Kasturbhai.—Yes.

Mr. Mudaliar.—You stated in nainsooks there was very little coming from the United Kingdom.

Mr. Kasturbhai.—Yes.

Mr. Mudaliar.—There is very little competition in so far as nainsooks are concerned from the United Kingdom.

Mr. Kasturbhai.—That is so.

Mr. Mudaliar.—That was also borne out by the evidence which the Bombay Chamber of Commerce gave.

Mr. Kasturbhai.—Yes.

Mr. Mudaliar.—On this question of fine goods, you suggested that there should be higher protection. I put to you the point of view that has been placed before us and I want your full criticism of that point of view. Therefore I would like to elaborate that, so that you may comprehend the whole point of view. If you go to really fine goods made of fine counts of yarn, it is obvious that at the present time there is no Indian cotton produced in the country which comes up to that expectation. I have had references made to the Central Cotton Committee and their report confirms it: that Indian cotton cannot be stretched for use beyond a certain point and that for really fine counts you have to go to Egyptian cotton and East African cotton. The position that has been put to us is this. The Bengal Chamber of Commerce say no doubt that when a mill uses imported raw cotton, it fails to satisfy one of the conditions laid down by the Fiscal Commission, viz., that the raw material should be found in the country. One of the three ingredients to justify protection is that. That is not the whole of the case. It is not alleged that fine counts should not be spun in the country or fine cloths should not be made in this country. In fact, it is a very legitimate ambition that the country should be self contained in these matters and it corresponds to the ambition of most other countries. The real distinction is whether the development of that particular trade should be under the shadow of protection or whether it should have, what one may call, a natural development. The point of view that has been pressed—I do not know just now how far it is outside the terms of reference: for the moment let us forget it—is this. We are producing so many millions of bales of cotton in India. From the point of view of the agriculturist, it is of the utmost importance that that cotton should be consumed. The extent to which cotton can be consumed at the present moment by the Indian mills is limited even making allowances for all the developments that can take place. The balance of the cotton has to be exported. If the agriculturist is to get his price and if we are not to restrict the area of cultivation, in these circumstances if the industry is stimulated in the direction of advance-

ment towards finer counts, with the necessary result that more and more of raw cotton is imported into this country and to that extent displaces the use of Indian cotton, what will be the ultimate evolution of the industry and to what extent will the agriculturist be hit? At the same time, the persons who put forward this theory realise that it is no consolation to shut down or to check the growth of the production of finer counts if unrestricted imports of fine goods come from outside. That is realised. But they argue that at any time the import of finer goods may be restricted under a quota system or by tariffs. When once the production of finer cloth is fostered in the country under the shadow of protection and the industry gets established, it will be next to impossible afterwards to curtail the production of fine counts by such mills. Not only that, but it will be unjust if after having fostered the output of that kind of goods, having allowed the mill to produce finer styles which can only be done by imported raw cotton, you were to take any drastic steps later after realising the effects of it on the agriculturist and they suggest that the import of raw cotton of the fine variety should not be allowed into the country. I want you to criticise that view as thoroughly as you can.

Mr. Kasturbhai.—The various assumptions that have been made in your question are far from being correct. I shall deal with them one by one. It has been stated, if I understood your question aright, that India is not producing long staple cotton which is not true. As a matter of fact, in the Barrage area coming into operation, $1\frac{1}{2}$ " staple cotton which is the highest type in Egypt and which is capable of spinning 80s warp and not weft, has been produced, and utilised in one of my mills: I am thinking of taking a larger quantity this year. It has also been suggested to me that I should encourage the growth of this cotton because it does not pay the farmer to grow short staple cotton which has something like $5\frac{1}{8}$ " staple and which has necessarily to be exported to Japan. As far as that point is concerned, I submit that India is capable of producing sufficient long staple cotton which can satisfy her requirements. As we have stated in our memoranda, most of the cloths that are being imported from the United Kingdom are from counts 30s to 50s. The bulk of the production is between these counts. These cottons with the efforts of the Indian Central Cotton Committee are very easily to be had in India. As a matter of fact this year there has been a very large crop of Sind N. T. cotton which is capable of spinning 30s and 32s warp and which has been greatly catered by them for the Bombay mills and Ahmedabad mills and which has been rightly taken up by both the centres. Therefore my submission is as far as the supply of cotton is concerned, it had better be left to the Cotton Committee who know their task and who are absolutely after it. As I say, experiments have been made. Cotton has been grown and cotton has been utilised. Of course it is only the beginnings that are being made. Every beginning has got a large scope in the future if given proper inducement. With regard to the export of cotton, you will find, if you analyse the figures that are submitted by the Cotton Committee, that a very large percentage—something like 80 per cent. of the cotton that is exported is below $\frac{3}{4}$ " staple. That being so, it is incapable of being spun into counts even of 20s warp. For 20s warp we require $\frac{3}{4}$ " staple. The cotton that is being exported is $\frac{3}{4}$ " and less. That being the position, that cotton will necessarily have to be exported for all times to come, unless India takes to hand spinning and utilises it for spinning coarse counts and weaving coarse cloths. But that is a problem by itself and it is very problematical whether it will happen. As far as the consumption of Indian cotton is concerned the figures have been submitted to you and you will find from that that the Indian mills have taken up 800,000 bales and more during the last few years as the statement given by the Bombay Millowners' Association and as the figures in the East India Cotton report and the Central India Cotton Committee report show. Therefore it is not true to say that India has been taking foreign cotton and is not utilising to the best advantage the Indian cotton that is available.

Mr. Mudaliar.—I don't think that was stated by any one.

Mr. Kasturbhai.—My point is that the consumption of Indian cotton is proceeding apace side by side with the imported cotton from East Africa or Egypt. As I stated, to the imports that are coming from the United Kingdom this enquiry has a definite reference. It shows that there is a particular market for the United Kingdom goods made of the counts that are indicated. If that is so, the only question that you have to decide is whether it is the United Kingdom that is going to supply the Indian market or whether it is the Indian mills which ought to be allowed to supply that market.

Mr. Mudaliar.—Of course I realise that this is a limited enquiry. But since the Bengal Chamber of Commerce objected on the ground of the industry not fulfilling the condition of the Fiscal Commission, I thought that it would be only fair to put the entire case to you on behalf of those who thought that there was a danger of too much imported cotton being used at some time or another in this country.

Mr. Kasturbhai.—It resolves itself into this whether it is desirable to import foreign cotton and utilise it here in the manufacture of cloth or to import foreign cloth into India.

Mr. Mudaliar.—It would not come exactly like that. However I don't think that it is necessary to follow that up. The problem is if under protection more mills go in for finer counts, we will be faced shortly with a different problem from what it is to-day. It won't be the same problem as in the case of imported articles. After all, imported articles can come under protective duties, but indigenous articles are in a different position. That is what I wanted to convey to you.

Mr. Kasturbhai.—Even in Hardy's report it is stated that as far as the Indian requirements are concerned, cloth consumption does remain more or less constant—not merely in quantity but also in styles. India is a very conservative country and is not likely to change fashions as they do in western countries. That being so, if the fashion is for a particular kind of cloth, that demand is bound to be there.

Mr. Mudaliar.—To go back to our terms of reference. We are to equate prices, that is, price of imported goods with the fair selling price of Indian goods, and you suggest that fair selling prices can only be interpreted in the manner in which it has been interpreted by the previous Tariff Boards, that is to say, you have to take up each mill, allow various charges, depreciation, interest charges, percentage on profit and so on. I want to understand from the point of view of the consumer what the effect of any particular scale of duties will be. Very often the Tariff Board has been asked to assess the burden on the consumer of a certain level of duties and you will find that the previous Tariff Board was asked to do that. I understood from the Bombay Millowners' case that at present various articles manufactured by Indian mills are being sold at prices which they call realised prices but which are far below fair selling prices. I understand to a certain extent your case is also the same. The difference of course comes in this, that a realised price is not necessarily a price which shows a definite loss to the manufacturer in the sense in which it is ordinarily understood by the layman, the realised price though it is a price at a loss, may still be a price which brings him a certain amount of profit but not the profit which is calculated by the Tariff Board. Am I right?

Mr. Kasturbhai.—The last Tariff Board enquiry and the previous one admitted one thing and that admission was that as far as depreciation was concerned it is as much a charge on the costs as any costs that are being paid out actually, that is to say, as if you are paying out for your coal bill or your stores bill. Similarly as far as depreciation is concerned it may be that you are not paying it out but unless it is deducted and placed on one side that concern will not last for long and as such that charge must be considered in any enquiry.

Mr. Mudaliar.—I am not suggesting that it will not be considered or that it ought not to be considered. I only want to understand the point

because these statements are made in public and people may get a wrong view of things. Realised prices which show a loss is a price which is a loss according to a certain scheme of working out profit and is not a loss in the ordinary bazar sense of the word.

Mr. Kasturbhai.—If you take the bazar sense: he makes a profit of Rs. 1,00,000 while he ought to place to depreciation Rs. 2,50,000. I submit it is not profit that has been made. It is really a debit balance of Rs. 1,50,000. Merely because it has not got to be paid to some one else it looks like profit. It is not really profit, it is definitely a debit of Rs. 1,50,000. If a mill goes on making profit on that basis it will soon find that it has gone to the wall.

Mr. Mudaliar.—Let us put it in a slightly different form. There is a fair selling price which is arrived at; there is a realised price. At the present moment according to the figures supplied by the Bombay Millowners' Association there is a lag on the one hand between the fair selling price and on the other hand the United Kingdom goods' imported price and on the third the realised price. If I put the order of preference in the descending scale the fair selling price comes first; that is the highest. Then comes the United Kingdom imported goods price, what is called the wholesale price; and then comes the realised price. I am looking at the question purely from the point of view of writing my paragraph on the "the Burden on the consumer". For instance the fair selling price is Re. 1, the import price is about As. 14 and the realised price is about As. 11. If we want to equate the price in order to bring it up to the fair selling price we say add 5 annas to the 11 annas: one rupee will then be the total price that will be the fair selling price. We have done our duty according to the terms of reference, I agree, when we have put on that 5 annas. But I want to follow it a little after that. It does not mean that you are going to get one rupee in the market?

Mr. Kasturbhai.—It may be, but the whole point is that merely because we did not realise that fair selling price therefore the Tariff Board will not recommend the fair selling price which has been conceded to all the industries, it will not be fair.

Mr. Mudaliar.—I have not gone to the stage of recommendation at all. I am on the point of understanding the position that arises. If the Tariff Board recommends a fair selling price and equates to that fair selling price it does not mean that the industry will be able to push up prices to that level.

Mr. Kasturbhai.—Certainly not, because internal competition will come into play.

Mr. Mudaliar.—It does not mean that the 5 annas addition will be thrown on the consumer at all; very probably the level of price will still be the same even after that had been piled up. It may be that internal competition or the intervention of a third party will keep your prices at that level and therefore the fair selling price will really be a sort of model price for you to aspire for at a distant dim future but has no relation to market conditions in the near future.

Mr. Kasturbhai.—Not necessarily. If the industry finds as it has been the case in the Jute industry that because of internal competition it cannot realise the fair selling price, they may come to certain agreement and organise restriction. In that case they will be able to realise their fair selling prices without burdening the consumer or the importer. Such a scheme will have to be evolved in case the fair selling price is not to be had inspite of protection.

Mr. Mudaliar.—As a matter of fact your realised price is not the fair selling price that can be got under protection.

Mr. Kasturbhai.—I do not follow.

Mr. Mudaliar.—There is a certain amount of protection given to the industry now. Your realised price is below.

Mr. Kasturbhai.—Not in all cases; in some cases.

Mr. Mudaliar.—In some cases it is definitely below the price that you could get if you were able to push up to the protection limit. To a certain extent in the case of grey goods and to a certain extent in the case of bleached goods also the internal competition is acting as a big brake to pull down the fair selling price and the other is this double shift working. Do you think that your double shift working has any effect on it?

Mr. Kasturbhai.—I don't think that double shift working has any effect, as long as we are under an obligation to import 1,000 million yards—we have to import 20 per cent. of the supply that India needs. I can visualise double shift working being done away with the day we can produce 5,000 million yards which is our total requirement, and then I would immediately concede that the limit has been reached and internal competition is acting. But if internal competition is working in any manner at present it is merely by forcing the manufacturer to take to those qualities which are being imported and to compete with imported types. If you look up the figures which have been given in the statement in our original representation you will find that while there has not been any increase in the production of cloths made from counts 1 to 30s there has been an increase in the counts 31s to 40s and above 40s. These definitely go to show that pressed by internal competition mills are taking to finer counts and competing with imports which are manufactured from finer counts of yarn.

Mr. Mudaliar.—Still competition in 30s is as keen as ever?

Mr. Kasturbhai.—That is bound to remain. As far as counts up to 30s are concerned, the total consumption figure is reached and is remaining steady so to say.

Mr. Mudaliar.—So far as that is concerned internal competition is keeping down prices and protection on that will not help to raise internal prices?

Mr. Kasturbhai.—No.

Mr. Mudaliar.—So that the protective level will be a sort of model level which will be a guarantee to you that it will never fall below that. But so far as your own prices are concerned they will be assessed on an internal competition price?

Mr. Kasturbhai.—That is so.

Mr. Mudaliar.—On above 30s counts you get to the stage of protection?

Mr. Kasturbhai.—Yes.

Mr. Mudaliar.—You were classifying the various classes of goods for protection. You were introducing more classifications than those existing under the present tariff and you were particularly referring to printed goods. My point of view is this, that mill made production of printed goods being as small as it is at present—not more than 1/11th of the consumption of the country—it looks rather an one-sided arrangement that import duties at a high level should be levied on 200 million yards of printed goods from Japan and United Kingdom to foster the growth and development of the industry which admittedly lacks many facilities to develop fully. You said as against that—and I was greatly impressed by that—that the handprinting trade is going on to a large extent. It so happens that I am very keen on whatever concerns the handloom weaver and the handprinting industry, but supposing a higher level of protection is given to the printing industry, that would naturally mean that mills will take to printed goods and to that extent clash with handprinted goods and crush the handprinter.

Mr. Kasturbhai.—Certainly not. Be it a protective duty or a revenue duty, it has been in existence for the last few years: side by side with the growth of the mill industry there has been definitely a growth of the handloom industry because protection which has helped the mill industry has at the same time protected the handloom weaving industry. Similarly if protection is granted to printed goods, styles that are being done by machines being

different to a certain extent from those of the handprinter, to that extent the handprinter will have that advantage.

Mr. Mudaliar.—As a matter of fact so far as the handloom industry is concerned I am afraid it is an industry which has been very little understood all over the country. The handloom industry is developing because it is on styles in which you have not so far come into competition with power loom made cloth in many directions. Speaking of the South Indian handloom industry I think we found as a Board that they were producing kinds and classes of cloth which were not produced by Indian mills, not produced fortunately so far by Lancashire and not even produced by Japan, and that is what has enabled the handloom weaver in Southern India to live. But when I come to printed goods which can come directly into competition with handloom goods, what will be the position?

Mr. Kasturbhai.—I will show you the position when I take you round again to-morrow. The Fiscal Commission's report says "The rate proposed must evidently be adequate to the purpose in view, and will therefore depend in part on whether the Board contemplates merely the gradual establishment of the industry on sound lines of a period of rapid development. In exceptional cases a higher rate of protection, though imposing a greater burden on the consumer, may attain its object in a shorter time and may therefore prove to be a smaller total burden than a low rate continued over a long period. But this is a point which can only be determined with reference to the conditions of each particular industry".

Mr. Mudaliar.—Do you suggest that so far as the printing trade is concerned, a high rate of protective duty to stimulate the industry is justified so that there can be direct and pronounced development in a very short period throwing the burden on the consumer at the initial stage but relaxing the burden later?

Mr. Kasturbhai.—I am not suggesting that a high rate of duty should be given to us to enable a rapid growth of the industry. My submission is this, that under the present scheme of duties we have been absolutely unable to go in for the printing trade at all. By your terms of reference we are entitled to receive such protection as will enable us to go over to that line and if such amount of protection is recommended at least we in Ahmedabad will be satisfied.

Mr. Mudaliar.—Take that statement of yours about the terms of reference. I do not know how ultimately the Board is going to work it out. But you have subdivided the industry into various sections and you are asking protection on the various sections of the industry. The Government have divided it into two parts. When you are asking for protection on that ground there can be no limit that can be put on the industry. For instance you have suggested grey, bleached, coloured and printed goods; another person can go into further subdivisions: for instance in grey goods have a certain level of duty for dhotis, have a different set of duties on nainsooks, a different set of duties on jacanets, a different set of duties on madapolams. Is it your idea that when an industry is protected, it should be protected at every stage or is it the idea that protection should be confined to those bulk lines where competition is or was keenest and if those lines are properly protected the profit that is made out of those lines can be used for diversification and growth in other directions. Whether the conclusions were correct or not that was the premises on which Sir George Rainy said he was acting on the 1930 Bill, and he said where competition was keenest protection would be just and in other lines the growth of the industry will follow.

Mr. Kasturbhai.—Yes.

Mr. Mudaliar.—So far as grey goods are concerned it is the bulk line that is produced in this country and it is common ground for us all that it should be sufficiently protected at the present stage. Having assured of that bulk line product being sold at remunerative rates, and it can be sold at remunerative rates only if the industry could organise itself, as you point out, and you could get a much better price than the present unremunerative price, don't you think that it is fair to expect the industry to earn more

profits and to put it into further lines of development without asking for specific protection at each stage and variety of production that the industry can bring out?

Mr. Kasturbhai.—The difficulty is this that attracting the capital required for the printing industry is somewhat different from that for starting a mill and producing various types of goods. It requires a very great technical knowledge to produce goods which will have to be marketed in competition with the Lancashire product and it is not merely a question of profit or loss so much as to enable the industry to incur extra loss which is bound to be incurred in the beginning to enable those styles to be produced.

Mr. Mudaliar.—On the other hand there is another difficulty to be considered and I am putting it to you and I would like to have your advice. The production of printed goods, as you have pointed out, is a very technical matter: at the present stage machinery is not sufficient for production to any reasonable extent. It requires as a subsidiary industry, a copper plate engraving industry, which is not existent at the present time.

Mr. Kasturbhai.—That is not so. There is engraving being done at Cawnpore. They have brought out special men from the United Kingdom. Engraving is being done; printed goods are being turned out but they are being turned out definitely at a loss. That is actually the position. It is not merely that engraving has got to be done in England. One enthusiastic industrialist did go in for this line and experimented for the last two years and over and he finds that he is burning the candle at both ends.

Mr. Mudaliar.—Is it the experience of that industrialist that the unnecessary burning takes place from the Lancashire end or the Japanese end?

Mr. Kasturbhai.—From the Lancashire end. I shall submit to you the samples and the costings if the Board desires.

Mr. Mudaliar.—We have told that with reference to coloured and printed goods the position is fairly accurate of the marketing conditions at the present time. I want you to tell me whether it is right or not. We have been told that there are coloured goods or woven striped goods produced in this country, that there are printed goods from Japan and that there are printed goods coming from the United Kingdom. We were told that the real competition is between the coloured and woven striped goods produced in this country and the cheaper Japanese printed goods and that the prices of Lancashire printed goods are so high that they cannot really compete with the coloured and colour woven goods in this country and that to the extent that printed goods are allowed to come a little more cheaply into this country, they are really displacing the Japanese printed goods and are relieving to that extent the competition that exists on the coloured and colour woven goods.

Mr. Kasturbhai.—My knowledge of the printed line is a very limited one, as I have not deeply gone into it and I cannot speak with any authority. My friend who has been a pioneer in producing it and in getting engravings made at his place has given us costings and if you were to see them, you will be surprised how competently those printed goods are being manufactured. As he says he is not turning them out at a profit. He is considering whether to continue or to close down the plant that he has got.

Mr. Mudaliar.—It is very difficult to generalise on the experience of one individual. So many factors might have entered into it or the very scale on which he might have started might be small and might be unremunerative. Unless a more general attempt to produce that kind of goods is made by the industry, do you think that we would be justified in recommending a higher rate of duty on printed goods?

Mr. Kasturbhai.—You will be justified if you take the same view as the previous Tariff Board did which enquired into the Sugar industry. As you know by recommending duties it has done a very great service to the farmer. That is all I can say.

Mr. Mudaliar.—I just want to understand the manner in which you have arrived at the average fair selling price of Lancashire goods. May I know,

in the first place, whether you also had a sort of circular instruction on the subject or whether you did not come within the scope of that circular. The circular has been given to us.

Mr. Kasturbhai.—As far as our member mills from which we found out the costings are concerned, they had to be given some instruction as to how to proceed with their work. These costings were not given to them. They were to find out actually as to what would be the costings according to their working conditions. Those costings were given to us and we averaged them and submitted the figures to you.

Mr. Mudaliar.—I understand in Bombay so far as the labour charges or the manufacturing charges are concerned, they were taken from the actual working of individual mill and costed, but so far as the block capital was concerned, the economic unit was taken as the block capital. Is your method the same?

Mr. Kasturbhai.—Yes.

Mr. Mudaliar.—You built up an economic unit of 28,000 spindles and 700 looms and put in the charge of depreciation at income-tax rates on that. You took one-third of the original block capital as working capital and put 5 per cent. interest on that and then added the manufacturing cost according to each mill.

Mr. Kasturbhai.—Yes.

Mr. Mudaliar.—With the exact conditions of labour, wages and production in each mill.

Mr. Kasturbhai.—Yes.

Mr. Mudaliar.—And then you added 8 per cent. profit and arrived at those figures.

Mr. Kasturbhai.—That is so.

Mr. Mudaliar.—In the first place I should like to have your criticism of this view. I have been told that it is a theoretical costing in the sense that I have fully explained. I have been told that when an estimate is made for the production of cloth and every millowner makes the estimate before he puts that particular cloth on the loom, you may arrive at a figure, but you may not have a fairly accurate idea of the cost of the cloth unless 5 or 6 costings are made from actual experience. How far is that a correct proposition?

Mr. Kasturbhai.—As far as we are concerned, we took out such varieties as were being closely manufactured by those mills and asked them to give us costings from their experience of the manufacture of those varieties. Supposing a mill gave costing for manufacturing 40s warp, we didn't ask them to cost. Those mills which were actually spinning those counts or weaving those counts and turning out similar cloths as were being imported from Lancashire, were alone asked to give us costings and to that extent I submit our costings are likely to be much nearer the mark than any other costings that you may have got.

Mr. Mudaliar.—May I take it that these various mills would be in a position to produce cloths comparable or similar to those varieties imported from the United Kingdom?

Mr. Kasturbhai.—Yes.

Mr. Mudaliar.—Are you putting them in? It would be very helpful if you did, because they will give the actual prices of Indian mill made goods.

Mr. Shantilal.—Yes. We have submitted 9 comparable samples and some of them are included here and some are outside. They are based and manufactured from Lancashire samples and they have been supplied to you.

Mr. Mudaliar.—I am thinking of the similarity with reference to these goods. The President says that he is putting the estimating work on two mills which were producing more or less similar goods, warp, counts, weft and so on. Those mills must be producing goods which are very similar to the samples that you have taken and if you can put forward those samples

with particular reed and pick, warp, weft and so on and prices, we would be getting very near what we are after, the comparability of samples.

Mr. Shantilal.—We have taken out the costings from those five mills and those 5 mills are spinning nearly the same counts out of which the samples are manufactured. They are producing very nearly the same counts. It is not that a mill which is spinning only 20s and 30s that has calculated 40s, 60s and 80s. Now we shall be able to produce parallel sorts from those five mills that will match these sorts and we have actually produced 3 sorts and the rest are outside, but they are also comparable to Lancashire sorts.

Mr. Mudaliar.—If you could further enlarge by producing other sorts which you could get from these samples, it would be of great help.

Mr. Shantilal.—Yes. As regards grey jaconets in finer counts, these five mills are making bleached sorts, so we won't be able to produce parallel samples in grey sorts.

Mr. Mudaliar.—You could deduct the bleaching charges and then arrive at the prices of grey sorts.

Mr. Chamanlal.—Yes.

Mr. Mudaliar.—You could give the bleaching charges separately.

Mr. Chamanlal.—Yes.

Mr. Mudaliar.—I have been told that while you make an estimate of the cloth being produced, the longer you produce the same cloth, the less is the cost; that is to say the longer the weaver gets himself accustomed, the greater becomes his expertness and the cloth will ultimately cost a little less than originally estimated. If you take a bulk line, it will be a different price, because the looms are adapted to that kind of production and therefore the cost will go down.

Mr. Kasturbhai.—That is true.

Mr. Mudaliar.—In comparing costs of cloths both from Lancashire side and your side to a certain extent we have to bear in mind whether that is a bulk line, that is to say whether it is the line of goods where bulk consumption is taking place in this country. You agree that it is an important consideration?

Mr. Kasturbhai.—Yes.

Mr. Mudaliar.—I find that these average fair selling prices require a very much higher rate of duty than exist at present or even what you are prepared to recommend for our consideration. I put it to the Bombay Millowners' Association and they agreed also with that view. If you take these average fair selling prices it will be very much higher than you have yourself recommended in your memorandum. In most cases it will go anywhere in grey goods from about 47 to 50 per cent. In some cases it goes up to 73 per cent. In other cases it comes to 50 and 60 per cent.

Mr. Kasturbhai.—In our case?

Mr. Mudaliar.—In your case. Take these three mulls.

Mr. Kasturbhai.—In the case of mulls, as pointed out, at least there is one case, where higher duties will have to be there if we are to produce the mulls.

Mr. Mudaliar.—If we are to accurately carry out instructions regarding the equating of fair selling prices and if you come to a line like the mulls, we have to recommend a duty of 75 per cent.

Mr. Kasturbhai.—We gave these varieties as indicative of some of the varieties which are difficult of being manufactured by the Indian mills unless adequate protection is granted. We do not mean that our case is rested on these varieties. These have been cited merely as an example to show that the difficulty of the Indian manufacturer in certain styles is certainly greater.

Mr. Mudaliar.—What is the inference that you want to draw from these figures? I find on working out the figures that really it varies from 40 to

75 per cent. as I said. If we find the figures in that way, what is it that you want us to do?

Mr. Kasturbhai.—May I submit for your consideration that in any enquiry of this kind you have to start off with certain assumptions? Is that so or is that not so?

Mr. Mudaliar.—It depends upon the assumptions.

Mr. Kasturbhai.—Whatever conclusions you arrive at, you will have to assume something in order to come to the final conclusion.

Mr. Mudaliar.—That is so.

Mr. Kasturbhai.—Take for instance some of these kinds that have been mentioned here. They are taken by us as Egyptian combed varieties. It is impossible, be he an expert or be he a superman, to say that a particular kind of cloth is definitely combed or is definitely not combed. It may be a new mill, with a very fine spinner, which may be able to turn out a carded quality which may be equal to the combed quality. The costs between the two will differ appreciably. In the one case if 20 per cent. wastage has been taken out for combing, in the other case it is merely passed through carding. It is only 10 or 15 per cent. wastage. Therefore the cost will differ materially. If you want a proper comparison, you will have to give us a definite basis on which to work. As far as the works costs are concerned, I am prepared to stand by them at any moment and for any examination. As far as those assumptions are concerned, it is difficult for any one to say that what he assumes is absolutely the correct thing and that he would not be misguided in assuming something else, particularly as I pointed out in the matter of fine grey where it becomes a question of carded quality and combed quality.

Mr. Mudaliar.—I will tell you my difficulty. Take nainsooks, items 15, 16 and 17. Generally it has been your case that nainsooks are not coming in because the present level of duties are fairly high. You have made a special point of nainsooks. When I looked at your costs of 66666, 77777 and 88888 I find that the amount of protection according to those costs varied from 44·6 to 66·1 per cent.

Mr. Kasturbhai.—Yes.

Mr. Mudaliar.—If that is the analysis of these figures on a line where you say there is very little of import and where you are able to stand competition, what is the inference that you want us to draw?

Mr. Kasturbhai.—We have been all along given to understand that the qualities that are being sold to the Indian market by the Lancashire manufacturer are made from high grade cottons and instead of taking our own costings on our own cotton, we thought it better to take a higher type of cotton in order to arrive at the costings, because if a comparable quality was to be made which will equate with the quality that is being imported from Lancashire, we thought that would be the best proposition for us to take. Knowing as we did, generally speaking—whether it is a fact in actuality or not that is a different matter—knowing that Lancashire is turning out goods from higher grade cotton, we also took higher quality of cotton. That might have been responsible for certain disparity in the figures that we have submitted to you.

Mr. Mudaliar.—What would this table indicate to us really in considering your case? To what extent and in what manner would you ask us to rely on this statement?

Mr. Kasturbhai.—To this much that in no case the present duties could be lowered by even one per cent. That is the only conclusion we want you to draw from this. These are the qualities which are so difficult to be manufactured by the Indian mills that if the duties are to be lowered, we will not be in a position to compete with the Lancashire cloth, and here again you have to remember that it has got to be taken at the fair selling price.

Mr. Mudaliar.—That I understand. When you say you are making similar type of goods, you mean out of Indian raw cotton and that makes all the difference.

Mr. Kasturbhai.—In some cases, yes, but not in all cases. In a particular variety we may have taken Egyptian combed. Between Egyptian and Egyptian there is a difference of as much as Rs. 100 per candy which will mean about 2 annas per lb.

Mr. Mudaliar.—On what basis did you take that or is it on the basis of United Kingdom cloth. You felt that superior Egyptian cotton has been taken. Were you in a position to find out at all what cotton was used in the United Kingdom samples?

Mr. Kasturbhai.—We can only find out whether it is Egyptian or American, a distinct variety, but we can't find out what quality of Egyptian.

Mr. Mudaliar.—Therefore it is possible you might have taken a very much superior cotton.

Mr. Kasturbhai.—Yes.

President.—Could we have a copy of the circular that you sent out?

Mr. Kasturbhai.—We had a sub-committee meeting and there we explained the position.

President.—When we are taking your evidence in camera, we will hear all about that.

Mr. Kasturbhai.—Yes.

Mr. Mudaliar.—I should like you to refer to a paragraph in the last Tariff Board report to which you have made such frequent references. Your case is that on finer counts you want a higher rate of protection. Will you kindly refer to paragraph 156, page 152, of the last Tariff Board report?

“As regards cloths of finer counts, the bulk of which is now imported from the United Kingdom, our examination of the prices and weights of representative goods indicates that on cloths of average count 40s to 50s, the specific duties will approximately represent a general *ad valorem* rate of 25 per cent. Above 50s, the specific duties will represent generally an *ad valorem* rate of not more than 20 per cent. In Appendix VIII we set out an analysis of the average weight and price of bleached goods imported from the United Kingdom during 1926-31. These goods consist mainly of counts above 50s. It will be found that taking the average price of bleached goods over the whole period, the specific duty we have proposed will be not above 17½ per cent. Even on the relatively low prices of 1930-31 the average incidence will be not above 21 per cent.”

That is to say, forgetting for the moment the specific duties recommended by the last Tariff Board, if they had confined themselves to the United Kingdom goods as we are now asked to confine ourselves to, the *ad valorem* rate of duty that they would have recommended on the United Kingdom goods would have been the rates mentioned in the paragraph which I just now read to you.

Mr. Kasturbhai.—Not necessarily. In this connection I would like to draw your attention to the list they have given. What would have happened was this. Instead of competing with Lancashire goods in identical qualities we would have taken to higher reed and lesser pick, reduced our costs and thereby obtained the present rate of duties. Am I clear?

Mr. Mudaliar.—I was referring to the Tariff Board's recommendation.

Mr. Kasturbhai.—There they have grouped several varieties and arrived at this equation.

Mr. Mudaliar.—I am confining myself to bleached goods of finer counts.

Mr. Kasturbhai.—I am also talking of finer counts.

Mr. Mudaliar.—They lay down two propositions with reference to the United Kingdom goods. The first is that in counts below 50s. 25 per cent. *ad valorem* will do and the second is that on counts above 50s, the specific

duty that they have recommended really works out to about 20 per cent. on that day's price; that is to say, if instead of a specific duty they had recommended an *ad valorem* duty, it would have been 20 per cent. on that day's price, and, on the relatively low prices of 1930-31, 21 per cent. That would have been sufficient for the industry, that is to say, if for the moment you could imagine the last Tariff Board to have been restricted in their terms of reference as we have been restricted, on that day the duties that they would have recommended as against the United Kingdom in bleached goods would have been 25 per cent. on counts 50s and below and 20 or 21 per cent. on counts above 50s.

Mr. Kasturbhai.—That may be. But those could not be the conclusions at which you could arrive in view of the fact that though the 25 per cent. duty has been in operation since then for the last two years, the imports from the United Kingdom have been going up and the Indian industry has not been able to compete in these particular varieties.

Mr. Mudaliar.—That would only show that the Tariff Board was under-estimating the protective rate.

Mr. Kasturbhai.—That is my point.

Mr. Mudaliar.—I am now on the question of what exactly would have been the recommendations of the last Tariff Board if they had not recommended specific duties and if they had only recommended *ad valorem* duties. As a matter of fact, on your 1934 figures, you get more than what they have recommended.

Mr. Kasturbhai.—Will it do if I put in a statement on that point?

Mr. Mudaliar.—Yes. The last Tariff Board, if I have understood their report, went on this basis in calculating the protective duty. They said "We will take the realised prices of Indian mill goods. As there is a great deal of difficulty in comparison and as we find it very, very hard to say which of the imported goods can be compared with which of the goods produced in this country we will take it that the realised prices of Indian mill-made goods are the imported prices of various goods that come into this country. We will take the bulk line of goods which come into direct competition with Indian goods. If it is Japanese goods, we will assume that the imported prices of Japanese goods are equivalent to Indian Mills' realised prices, and if it is the United Kingdom goods that come into competition the Indian mills' realised prices are the equivalent of the United Kingdom imported prices" and then they fixed the fair selling prices and it was the difference between your own realised prices and your own fair selling prices that they took as the margin that ought to be allowed and fixed the duties.

Mr. Kasturbhai.—Yes.

Mr. Mudaliar.—At the present moment, your realised prices are not the imported prices. They are below the imported prices and therefore we would not be justified in taking the realised prices as the imported prices of the United Kingdom goods. Why I am putting that point of view is this. If we can follow the line that the last Tariff Board followed, much of the difficulty about comparable qualities will immediately disappear. We need not go into all these meticulous details of warp and weft, reed and pick, to find out the comparability if we could assume as the last Tariff Board did that the realised prices of Indian Mills must be the prices of imported goods. You say that that cannot be done.

Mr. Kasturbhai.—No, it cannot be done.

Mr. Mudaliar.—This morning you were suggesting—and you were quite right and it was a point that I made—that to take the realised prices as fair selling prices was quite wrong. The reason is as you have pointed out that when an industry is asking for protection, the realised prices obviously are below the fair selling prices. If they were not, the industry would not come forward and ask for protection. If that request of the industry is granted, it means that the Tariff Board and Government which pass the protective measure put their seal of approval on the contention of the

industry that the realised prices are below the fair selling prices. I understand that.

Mr. Kasturbhai.—I follow.

Mr. Mudaliar.—But when as a matter of fact, as you have in this case, the industry has 25 per cent. protection, why should it not be assumed that the realised prices are the prices that would come up to the 25 per cent. protective duty?

Mr. Kasturbhai.—I am sorry I have not been able to follow.

Mr. Mudaliar.—It is perfectly true that when an industry is seeking protection, the realised price is below the fair selling price. It is the difference between the two that is fixed as the protective duty. Here the position is not exactly in that virgin stage. We have advanced further. We are now working under a scheme of protection. This enquiry asks us to find out what adequate protection is. It does not necessarily suggest that the protection now given is inadequate. On the other hand, it might be inadequate or it might be excessive. We might recommend either a higher duty or a lower duty or we might come to the conclusion that the present level of duties may remain. Therefore to that extent it is not a *de novo* enquiry into protection that is needed by the industry. The realised price is a price which is being realised by you under a protective scheme—not when the industry is absolutely unprotected. Why should it not be assumed under such circumstances that the realised price is such a price as could be obtained by you with the full benefit of the protective duty?

Mr. Kasturbhai.—If it goes to prove anything, it only goes to prove this that the 25 per cent. duty that has been granted has been inadequate and therefore the industry has not been able to realise the benefit of the protective duty, i.e., the fair selling price.

Mr. Mudaliar.—That I can understand. But when the industry goes further and says that the realised price is much below the price we would have obtained with 25 per cent. duty. . . .

Mr. Kasturbhai.—That point is explained in our supplementary representation. That is what we say: "As laid down by the previous Tariff Boards and accepted all through in enquiries for the grant of protection, the fair selling price must secure to an average producer, not only a provision for the bare works cost but also other necessary expenses like interest on working capital, sales expenditure, remuneration for the agents, and a return of 8 per cent. on the capital sunk. Such a price could not always be identical with the market price as the latter is influenced by the disparity between supply and demand and foreign competition". There are two factors which are at work; in fact there would be a difference between the two and that difference would roughly measure the handicap which the Indian manufacturer has to work under.

Mr. Mudaliar.—That is exactly the point I was on, that is to say, if these things are to be given as the previous Tariff Board have given, then you want such a measure of protection. But you yourself realise that under present conditions you will not be getting that fair selling price and that owing to internal competition and several other factors your selling price must be something very much below what would be called fair selling price. Does it not prove that there is something which is out of tune with the present state of India in marketing conditions and in financial conditions in working out these figures and arriving at a fair selling price? The previous Tariff Boards have gone on a certain basis in arriving at the fair selling price. They have assumed so much for depreciation, so much for interest on working capital, so much for profit and so on. There is no reason why the present Tariff Board should not go on that basis. That is a method by which the fair selling price can be arrived at. But as a matter of fact you find in the industrial conditions prevailing to-day that the fair selling price is very much at the top and the real selling price very much below. If that is so, does it not show that there is something in the

present financial and monetary conditions and other conditions in India, particularly with reference to your trade, which makes it utterly a theoretical proposition for a fair selling price to be worked out on the old basis? What I am suggesting is frankly this: is it not high time that that basis should be revised to bring it more in relation with the actual conditions prevailing in this country?

Mr. Kasturbhai.—Definitely no. In one of our representations we have stated that because of the protection it has been possible for the Indian industry to change over from the coarser to finer counts. Your assumption is that though protection may have been granted to the Indian industry, still the Indian industry owing to internal competition is not likely to realise the fair selling price and so why ask for it? But the position is this: that until the time comes when the internal competition can replace the foreign competition completely, the Indian industry must have sufficient scope for realising the fair selling prices in those particular qualities that are being imported.

Mr. Mudaliar.—You have put forward two propositions really. You talk constantly of replacement. I think in your answers to the President this morning you have told us that what you are contemplating is not a replacement owing to the high level of tariffs but a replacement with a normal protective duty.

Mr. Kasturbhai.—I am for gradual replacement.

Mr. Mudaliar.—In the normal course of things. As a matter of fact in very highly protected countries—take for instance the United States of America—imports are not completely stopped.

Mr. Kasturbhai.—As far as the question of gradual replacement is concerned, you are bound by the terms of reference to restrict yourself to the last two years and if you look up the imports of the last two years from the United Kingdom, instead of the Indian industry replacing the Lancashire goods, it is the Lancashire goods that are replacing the Indian goods.

Mr. Mudaliar.—I would not go so far as that reading the statistics as I have done. As you say, statistics can be made to prove anything.

President.—With reference to the point you have raised about the period—we have not of course decided yet how far back we have to go—I want to ask you one or two questions. How long have the present duties been in existence—I mean the 25 per cent.?

Mr. Kasturbhai.—4½ years.

President.—You just now said two years.

Mr. Kasturbhai.—Yes, under the terms of reference. I have no objection if you look up the last four years' figures because during those four years owing to the reorganisation which Lancashire has brought about, she is forcing her pace in selling the goods cheaper and therefore her imports in this country are increasing.

President.—I appreciate that. Do you draw any distinction between the incidence of the rate and the effectiveness of the rate? The present duty—call it by any name you like—has been in existence since 1931.

Mr. Kasturbhai.—I draw a distinction to this extent that as long as they are revenue duties, it does not give any scope to the manufacturer to put in any new plant—new finishing machines, dyeing or printing machines—in order to enable him to take to those lines. No sooner they become protective duties, for the period for which protection is given, if he were to go in for those lines, he will not be disturbed in those lines. That is the only difference between a protective duty and a revenue duty.

Mr. Mudaliar.—You have referred more than once to the diversification of its products by the industry. As a matter of fact, the Noyce Committee was the first to consider this question of diversification.

Mr. Kasturbhai.—Yes.

Mr. Mudaliar.—If I remember right, it was a specific recommendation or suggestion to the Bombay Mill Industry that if they wanted to escape

from the competitive nature of the Ahmedabad industry, they should go in for diversification.

Mr. Kasturbhai.—Not necessarily.

Mr. Mudaliar.—I am talking of the actual recommendations of the Noyce Committee. What has actually happened is that while they have gone in that direction a few feet, you have traversed many miles in the direction of diversification.

Mr. Kasturbhai.—The Noyce Report did not really recommend protection to the industry except 4 per cent. for depreciation of exchange. That was the basis of the Noyce Report at the time. At the same time it considered the special difficulties of Bombay and they said as an expert body that if the Bombay industry is to be saved, a greater diversification and going in for finer counts against competition in those particular counts could only save the Bombay mill industry.

Mr. Mudaliar.—It was not a recommendation for the Indian industry as a whole, it was a particular recommendation to the Bombay industry.

Mr. Kasturbhai.—We were left out. When that enquiry took place we submitted that the only way in which the industry could make progress was by turning out goods which were imported.

Mr. Mudaliar.—Perhaps it was your suggestion that they passed on to the Bombay mill industry!

Mr. Kasturbhai.—May I refer to page 172 of the Noyce Report where they say that so far as Ahmedabad Millowners' Association was concerned their view was definitely put forward that additional duties were required more for greater diversification than for protection against unfair foreign competition?

Mr. Mudaliar.—But the main recommendation about diversification applied to the Bombay millowners.

Mr. Rahimtoola.—I would like to ask you a question or two about the unspecified items. I asked the Bengal Chamber of Commerce what were included in the 'Unspecified' but they were not able to explain it. See the item 'Unspecified' and you will find that in printed goods and also in dyed goods there is an increase over 1929-30 figures. I wonder whether you can give me details as to what they consist of.

Mr. Kasturbhai.—I understand all these unspecified items are given in the daily returns that are being taken out by the Collector of Customs.

Mr. Rahimtoola.—I am asking you because I want to know whether there is any competition in these unspecified items with Indian mill-made goods.

Mr. Kasturbhai.—That we shall give you.

Mr. Rahimtoola.—With regard to the question of yarns I find in your reply to the questionnaire you have stated simply that the South Indian mills would give us the necessary information as they are concentrating on the subject. You are at present not interested in the manufacture of yarns.

Mr. Kasturbhai.—We have been driven off the market. Formerly there was quite a number of mills which were manufacturing yarn, but as no protection was forthcoming the mills found it more and more difficult to continue to be spinners and took to weaving. There are only two purely spinning mills at present.

Mr. Rahimtoola.—Are you able to sell anything outside?

Mr. Kasturbhai.—No.

Mr. Rahimtoola.—Whatever you produce you consume in your mills?

Mr. Kasturbhai.—The mills have been so arranged that their spinning capacity has been adjusted to their weaving capacity. There are only 2 or 3 per cent. of the production which can be marketed but the sale will be reduced as they send out more from Lancashire.

Mr. Rahimtoola.—You sell reject yarns?

Mr. Kasturbhai.—We have to,

Mr. Rahimtoola.—What is the quantity?

Mr. Kasturbhai.—Very little. When a particular weft is being woven in the weave there are a few bobbins which cannot be woven into cloth. These are taken out and sold as reject yarns.

Mr. Rahimtoola.—You have seen the proposals made by the South India mills with regard to the protection to the yarn industry. I would like to know your views as they have asked for increased protection.

Mr. Kasturbhai.—It is our view that the Indian spinning mills are in position to turn out each and every count and kind of yarn that is required in India and if protection is granted they will be able to turn out all the yarn that is required, and market those yarns.

Mr. Rahimtoola.—In the statement you have given we find that you have been able to sell quite a large quantity of yarn?

Mr. Kasturbhai.—Yes.

President.—One or two of the mills according to the costing statement you have given us are selling yarns. It is not a negligible quantity.

Mr. Patel.—One of the 12 statements we have given is particularly for our spinning mills. You wanted us to give you a variety of products. One of the mills is purely a spinning mill and it is selling the yarn.

Mr. Kasturbhai.—Most of the yarn being sold there is one mill selling to the other mill; it does not go to the weaver. Some of the mills are selling, but that is all internal.

President.—In taking out the costs if one mill is manufacturing yarn up to a point and then selling that yarn that must have effect on the costs; on the other hand, equally any mill which is manufacturing cloth if it is buying yarn, that must affect his costs. We will discuss these points with you to-morrow.

Mr. Rahimtoola.—When the yarn is sold to another mill do you add the charge for bundling and so on?

Mr. Kasturbhai.—It will be sold at the market price.

Mr. Rahimtoola.—Have you any concrete proposals with regard to yarn or do you support the case put before the Board by the South Indian mills?

Mr. Kasturbhai.—We generally support the case which has been put forward by the South Indian mills.

President.—Do any of the mills here buy imported yarns?

Mr. Kasturbhai.—Not to any material extent.

President.—They buy artificial silk yarns?

Mr. Kasturbhai.—They do.

President.—Do they buy superior fine count yarn so as to be able to make superfine cloth?

Mr. Kasturbhai.—For border requirements they sometimes do buy from the Bombay mills or the South Indian mills or from Lancashire or Japan but it is a very insignificant quantity.

Mr. Rahimtoola.—With regard to artificial silk piecegoods, are you manufacturing any artificial silk goods?

Mr. Kasturbhai.—Some of the mills are manufacturing mixtures.

Mr. Rahimtoola.—And your point of view is the competition in these goods is indirect?

Mr. Kasturbhai.—That is so as far as Ahmedabad mills are concerned. As you may have noticed during your inspection, several mills are turning out shirtings and what we call sushee where artificial silk is used, and one is affecting the other.

Mr. Rahimtoola.—In these artificial silk goods it is Japan that is under cutting you?

Mr. Kasturbhai.—I am not in a position to reply to that as I am not conversant in that line.

Mr. Mudaliar.—So far as yarn is concerned your mills are not really interested except to this extent that if yarn becomes so cheap that it is profitable for a mill to import yarn, it would be bad for the industry; that is the point of view, may I take it, from which you are interested in the yarn question?

Mr. Kasturbhai.—We are interested from the point of view of the general economy of the country and of the industry. We believe that it may be profitable for the consumer to-day to have imported yarn, but if the spinning industry is wiped out because of very keen competition and no margin of profit left to them, the time will come when he will have to pay a much higher price for the imported yarn.

Mr. Mudaliar.—That is true. My difficulty is this: you are producing 80s and 100s and you are not selling any yarn. Fine counts are virtually produced mostly in Ahmedabad; even in other places where fine counts are produced very little is put on the market. The handloom weaver requires for his finer cloth counts above 100s, let us say. If you are not in a position to place on the market any counts like 100s and 120s the handloom weaver is virtually dependent upon imported goods; how does it help him if we put a duty on counts of 100s and 120s?

Mr. Kasturbhai.—We are in a position to manufacture and even supply to the handloom weaver, but at present as it does not even cover the bare costs we do not want to touch it.

Mr. Mudaliar.—Have you ever tried to sell these 80s counts?

Mr. Kasturbhai.—My mills are spinning and marketing 2/60s and 2/64s; though they are not very remunerative, but still they do not bring any definite loss, and I am quite sure I am marketing those yarns to the handloom weaver.

Mr. Mudaliar.—I am talking of grades above 80s.

Mr. Kasturbhai.—It has not been spun so far.

Mr. Mudaliar.—Really these fine counts are produced by these mills as much as they are sufficient for their own requirements?

Mr. Kasturbhai.—Usually that is so.

Mr. Mudaliar.—I have not come across any mill which has suggested that it is in a position to supply 80s, 100s and over?

Mr. Kasturbhai.—The Sholapur mills supply the requirements of quite a large number of handloom weavers in their district and if they find it pays them to sell 80s and above they will do so, but I do know that up to 60s they are marketing for the consumption of handloom weavers.

Mr. Mudaliar.—Is there any mill producing mercerised yarn?

Mr. Kasturbhai.—I am in a position to produce any quantity of mercerised yarn that is required for consumption but it does not leave me any profit. Even if it gives us a small margin to cover my costs I should be willing to market them.

Mr. Mudaliar.—At the present stage the position is that mercerised yarn is not being put on the market by any mill and it is only Japan that is really doing it?

Mr. Kasturbhai.—Yes.

Mr. Mudaliar.—Is there a large handloom industry in this part of Gujrat?

Mr. Kasturbhai.—Yes.

Mr. Mudaliar.—What are the styles that they put in?

Mr. Kasturbhai.—I am not in a position to say.

Mr. Mudaliar.—I have been looking into some of the figures of your overseas market. What I have found from a study of the overseas market is this: you are virtually unable to supply grey or bleached goods to these various markets, namely Tanganaikya, Uganda, British Guinea and so on. But I find that your supply of coloured goods has not considerably fallen; in fact you are able to keep up the supply of coloured goods to those

markets. When you come to the Home market, our own country, the position is quite reversed and I find in grey and bleached goods to a certain extent you are able to stand on your own legs and that in coloured and printed goods you are not in a position to stand competition. What is the explanation for this apparent anomaly?

Mr. Kasturbhai.—Ahmedabad being an inland town. . . .

Mr. Mudaliar.—I can understand your difficulties because railway charges are excessive, but I am not talking of Ahmedabad particularly but of the industry generally. The exports from this country are virtually in coloured goods competing in open markets on equal terms with the United Kingdom and to a certain extent with Japan, but when we come back to your own country we find that coloured goods is the one thing which requires the largest amount of protection.

Mr. Sakarlal.—They are mostly hand-made not mill-made.

Mr. Mudaliar.—I can understand if they are hand-made goods because the styles are so different that they can stand competition on their own individual merits. That is the explanation I put forward at an earlier stage of the enquiry. I was told in the East African markets it was mill-made production.

President.—There are some questions which I would like to ask you about costings. I do not propose to go into them in detail now, but before we adjourn, I would like to refer to one or two points. I referred a moment ago to the difficulty of getting a common factor in costings on account of, as I said, some mills buying yarns, some selling yarns to a small extent it is true, but still doing it and these yarns whenever they have been bought or sold do not appear to have been debited to the raw material but to different heads according to the judgment of the individual mill. One mill, for instance, has debited it to stores. Naturally an item like that has increased the value of stores and we have to get to a common denominator in some way. Similarly as regards bleaching and dyeing charges you have been good enough to show where you have been paying dyeing charges outside and certain charges to other mills. You show that separately, but in particular, charges for dyeing and bleaching in some cases appear I do not know where—whether under the head wages or somewhere else. There are one or two mills which give figures for dyeing and bleaching separately.

Mr. Kasturbhai.—We can give separate figures in those cases.

President.—It would be helpful if you give me a note of the yarn you bought—some of you have given already but we would like information from all—the extent of the purchases of dyed yarn or artificial silk, similarly the extent of your sales and whether you have treated that under the head of stores or have passed through raw material account. Similarly with regard to dyeing and bleaching charges, please let us know where you have debited them, because we have found in certain cases they have been debited to some other item and in other cases they are spread all over which makes it very difficult to get a comparison. There are some mills doing double shift and some single shift. We would like to talk about that in camera to-morrow. We would like further to discuss with you about the allocations. I can understand where you have already a substantial production. If you have been running on a particular type and turning out a substantial production say in counts of 40s or 50s, it is quite easy to give a fairly good estimate of costs. If, on the other hand, you were doing that for only a short period

Mr. Kasturbhai.—Then it would be rather difficult to allocate.

President.—I would like to consult you about that to-morrow. You have been good enough to give us for these mills the debits of expenditure under proper heads. I was wondering whether you could give us their balance sheets.

Mr. Kasturbhai.—Yes with pleasure.

President.—I would like to discuss with you to-morrow this question of depreciation allowances and in that connection we would like to know as regards these 12 particular mills what are the income-tax figures allowed. The income-tax people divide the allocations of depreciation as follows:—

- (1) Buildings $2\frac{1}{2}$ per cent.
- (2) Electrical appliances $7\frac{1}{2}$ per cent.
- (3) Machinery 5 per cent.
- (4) Bleaching machinery $7\frac{1}{2}$ per cent.

For these particular mills you have been good enough to give us costings, sub-divide the block account and show us how depreciation allowances have been arrived at. Then we will be able to say whether they are averages or they are to be treated differently. You have got your figure from the income-tax people.

Mr. Kasturbhai.—Yes, to-morrow I shall be able to give you.

President.—I am only telling you what are the subjects which we would like to discuss with you to-morrow: the debits for interest and the allowances for working capital. I might mention one thing that we would like to discuss with you in detail and it is this: I notice in Ahmedabad as in no other part of the country as far as I can see—I am accustomed all round to the Calcutta side—supposing your block account is Rs. 1 lakh—on an average all the capital that you have got to give against is Rs. 25,000 the remaining three-fourths being borrowed money—not borrowed in debentures or taken in preference shares as is often the case in so many places but put up largely I assume by the Managing Agents and their friends or by people who have confidence in the Managing Agents entrusting them with the handling of their business. I appreciate that and could understand that. But when we are asked to give say 8 per cent. on block account we find that actually as far as your capital is concerned it is only perhaps $\frac{1}{4}$ or less than $\frac{1}{4}$ of your total block. As regards the remaining three-fourths I could understand if it had been debentures or preference shares. In that case we would be able to look into them and see what the rates are. We want to arrive at an equitable or fair terms of interest. You as Managing Agents are always getting a loan of money on short term or long term. I assume that probably as you guarantee you are entitled to charge a separate commission for that. You may say 4 or 5 per cent. I only point out to you the problem is there and that you cannot expect the full amount of interest in respect of that 75 per cent. of your block to be allowed under head 'Expenses' and also to get 8 per cent. on the total as profit. I just mention these things so that you may be considering them and to-morrow when we meet we may be in a position to discuss them in detail.

Mr. Kasturbhai.—Thank you.

President.—On the question generally of the cost of the block, whether we are going to follow the practice of the previous Tariff Boards in putting up a model mill or an ideal mill and applying block figures to that or we will be influenced by other considerations depends upon the talk we are going to have with you and our ultimate talks with our friends in Bombay. But it would help us a great deal if you could give us block figures. You are in the fortunate position here in Ahmedabad—more so than anywhere else—of having particularly self-contained mills. Some of you may sell yarn, or buy yarn but most of you are very well balanced having just sufficient spinning machinery to keep you going. You are in a better position than anybody I know of to tell us what the cost of a mill is. I know that the cost to-day is probably different from what it was yesterday. On the figures that you have been good enough to give us showing the number of spindles and looms and paid up capital of the Company if you choose to make a calculation and applying figures of spindles you will find over these five years

at least what the average value of a spindle or loom is or it may be we will have to go to an ideal mill. But it will be very nice and helpful to us if with the new mills you have been putting up recently—I do not suggest absolutely new ones but those put up two or three years ago—you could tell us what the differences in machinery prices are. Situated as you are with a balanced mill—spinning and weaving—you are in a position to tell us what the overhead is of an ideal mill. Having said that I don't want to detain you any more.



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THE BENGAL CHAMBER OF COMMERCE.

Evidence of Messrs. M. W. LOWNDES and W. L. CLEMENT recorded at Bombay on 16th December, 1935.

President.—Gentlemen, you represent the Bengal Chamber of Commerce?

Mr. Clement.—Yes.

President.—We are very much obliged to you for coming all the way from Calcutta to Bombay to help us. You have sent us your case and in return we sent you a note of what the various Millowners' Associations have said and we asked you to be good enough to give us a few notes on the points. You have just handed in the notes and I am afraid we have not had time to read them but I should very much like to hear whether you wish to modify or alter your statement of the case in any way as a result of the consideration you have given to the other cases.

Mr. Lowndes.—I should like to read our statement:—

"In the first place, we should like to make it clear that the Bengal Chamber of Commerce is a body of merchants trading in Calcutta. Some of our members are connected with the indigenous mill industry, and as such may not concur in all our remarks. We are mainly interested in fostering the trade of India generally. We hold no brief for Lancashire, except in so far as she is one of the many sources from which our members obtain their supplies of textiles.

We do not wish to modify our written statement. Stress has been laid on the point that, when ascertaining and considering comparable qualities with a view to equating the prices of Indian and Lancashire goods, only those qualities should be considered which are actually, we stress the word "actually", being imported from Lancashire today. This we consider is contrary to the terms of reference. If the Board do not unhesitatingly agree with our contention that they should take into consideration all goods which are now or have been in the past imported from Lancashire, we consider reference should be made to the Government of India for clarification of the terms of reference. We submit that it is only fair to consider not only qualities which are still entering India today but also those which have ceased to enter India on account, in our opinion of the duties. We feel quite sure that the wording of the terms of reference do not, nor is it the intention of the Government of India that they should, restrict the Board's activities to an examination of the very small number of cloths which are not only being imported from Lancashire today, but which are also comparable with Indian made cloths. Our experience has been that Indian mills have successfully made in roads into the imports of one style after another, so that in the market today there will only be found comparable cloths of the particular Lancashire style on which the Indian industry are now concentrating. We submit that if the Board only considers this very narrow case, it will not be able to collect sufficient material to form the average basis which it has been suggested should operate in equating prices, and which method of procedure the Lancashire Delegation appear to have accepted.

The method agreed upon as a basis for comparison is in accordance with our own case. We prepared our samples on the assumption that the Board would act in this way and we believe that our list is reasonably comprehensive. In some instances we have been unable to ascertain the Indian mill selling prices. We suggest that the Board should ask the millowners concerned to supply these.

Evidence which we have entered has been obtained from our various members and we have no doubt that they will be glad to amplify and prove same with documentary evidence should the Board so desire.

The Board has asked the Lancashire Delegation and will, we understand, ask us to produce a list showing all the importations from Lancashire since May 1934. We suggest that as the Customs authorities retain copies of invoices of all piecegoods imported, they should be asked to supply the information required.

This method will ensure a complete list and will avoid the necessity of one importer having to divulge to another confidential information as to his activities.

We are particularly glad that this enquiry has been undertaken because we feel that it is fully time for Government to consider the interests of the consuming public.

Finally, we would ask the Board not to overlook that today imports from Lancashire only amount to about eight or nine per cent. of the total cloth consumed in India. We suggest that this very small quantity cannot have the very adverse effect on the indigenous industry which the millowners are endeavouring to maintain."

President.—We thank you very much for the very interesting opening statement. In that statement you particularly lay emphasis on the terms of reference and you specially ask that we should consider the reference wide enough to cover not only Lancashire goods coming into India at the moment but Lancashire goods that for the moment have stopped coming into India, perhaps as a result of the duties, perhaps for other reasons; and also goods that may in the future come into India from Lancashire because presumably if a duty is imposed the duty will be effective for a period of years. Therefore it will apply not only to goods actually coming in at the moment but goods which will probably come into India. I would like to say that the Board, and I personally, have not come to any considered decision on this particular point that you raise. But if you will refer to the terms of reference it asks us "to recommend on a review of present conditions and in the light of the experience of the effectiveness of the existing duties, the level of the duties necessary to afford adequate protection to the Indian cotton textile industry against imports from the United Kingdom." Then it goes on to say "By adequate protection is meant duties which will equate the prices of imported goods to the fair selling price for similar goods produced in India". I am not prepared to give a ruling on the subject at the moment: I shall have to consult my colleagues and if we have any comments to make I shall let you know. I will ask you during our discussion this forenoon to be good enough to cover whatever grounds you think you would be entitled to cover, namely goods which you think no longer come to India owing to the duties and goods which you hope to be able to bring in to compete with Indian goods. After all you have to take the immediate past, the present and the immediate future into consideration in a case like this and for the purpose of your evidence today just assume that the terms of reference cover all these things that I have referred to. Now, you make a point here in your memorandum that most of the competition today is indirect and not direct.

Mr. Clement.—I think there is one thing there. When we wrote this memorandum we were considering 'direct' from the technical point of view. I think it has been agreed by the Lancashire Delegation since then that what was considered indirect competition technically has been taken as direct competition from the shopkeepers' point of view or the consumers, point of view.

President.—We only want your own views on that point. Along with your memorandum here you have filed an extract from a letter that you addressed to the last Tariff Board in 1932 in which you say "In Calcutta buyers and sellers know nothing of reed and pick and counts of yarn and weight of cloth. They are guided by the feel and appearance not by technical details. It is going to be very difficult for the Indian importer and bazar dealer if he is not able to estimate accurately the amount of

duty to which his purchase is liable". Is that still the view of the Calcutta Chamber of Commerce?

Mr. Clement.—This was with reference to the specific duties and it is still our view that it will be difficult to work the specific duties.

President.—Take the first two sentences: is that the view of the Bengal Chamber of Commerce?

Mr. Clement.—Yes, as regards the shopkeepers and the upcountry buyers who come in to buy. Perhaps the consumer at the cities is of an educated type and may have a limited technical knowledge.

President.—You say that the dealer and the big buyer and presumably the consumer have no knowledge of reed and pick or counts of yarn in the cloth and they are guided by the feel and appearance and not by technical details.

Mr. Clement.—Yes.

President.—I would like you to assume for the moment that I am personally a big dealer or a buyer or a consumer and I want you to put me wise to the difference between the different types of cloth. I want you first of all to tell me how do I arrive at comparable cloths in order to know which I ought to take, one against the other, the Indian goods against United Kingdom goods?

Mr. Clement.—When a shopkeeper or an upcountry dealer comes in to Calcutta to replenish his stocks to sell in his village shop he will have in his mind various ideas. He will probably have to sell a pugree cloth and therefore he will have in his mind that he wants a cloth which can be used as a pugree but may be as fine as 60s with a nice appearance and he buys one. He may on the other hand buy a little coarser one and can get down to as low as 40s. So that when he thinks that the finish of a particular pugree cloth is very attractive he may go up to 60s or may come down to 40s if he wants to go in for the cheapest thing.

President.—You have already sent us samples of comparable cloth but there are many more samples—we have at least 300 samples of cloth sent in to us for one purpose or another—and the Board will be very much obliged if you will go through these samples when you can spare the time and get comparable samples in order to enable us to arrive at the fair selling price basis on the imported goods that are available and the Indian made goods that are available.

Mr. Lowndes.—We have already done that. We spent three hours on that yesterday morning and we have put a report on that.

Mr. Clement.—The Lancashire Delegation were good enough to take our notes and get them typed.

President.—So that we may have an opportunity of discussing that before you leave. On the question of yarns, we had the pleasure of hearing the Southern India Millowners' Association on Saturday and they said that difficulties there might be in finding comparable samples of cloth but there could be no difficulty in finding comparable qualities of yarn. You say you can help us with cloth, can you help us with yarn? You give us a list largely of reject yarns. People must be importing something other than reject yarn?

Mr. Clement.—Everything is fine reject yarn. We have been so hard hit by the duties that no medium yarn is coming in.

Mr. Lowndes.—I think I can say for my own firm: apart from one contract for dyed yarn we have not been importing any perfect yarn for the handloom industry, certainly not for two or three years.

President.—If you are not importing any spinning yarn why do you want protection?

Mr. Lowndes.—It is coming into Calcutta; we don't know much about Bombay or Madras.

President.—We have not divided this enquiry as regards yarn into power loom or handloom yarn. It is immaterial whether it is coming for the power looms or handlooms. What we want to get at is a comparison of the yarn prices, that is the selling prices of imported yarns with the fair selling price of Indian yarns. Please do not narrow down the terms of reference to simply handloom yarn. We want to find out as far as possible details of samples of all the types of yarn that are coming into India just as you have been good enough to give the details regarding cloths.

Mr. Clement.—I think the Bombay Millowners' Association who claim to represent the mills in Calcutta should be able to produce that evidence. We are not interested in the mill industry in Calcutta.

President.—I did think that you are representing importers of yarn.

Mr. Clement.—We were in the past.

President.—Perhaps you are visualising that these are imported direct and not through you?

Mr. Clement.—They can't be bought on the Calcutta market. Our imports are not cop yarn.

President.—In reply to question 6 (a) and 6 (b) you say "The bulk of the yarns imported from the United Kingdom with the exception of cop yarns are used in the handloom industry". Can you give us any information about cop yarn?

Mr. Clement.—They are not available on the Calcutta market; they are imported direct by various mills for use in the mills. You can't get to the Calcutta market and buy cop yarn for ready delivery.

President.—You refer to 70s being sold in India.

Mr. Clement.—Yes in small quantities. They are not regularly on the market, but from time to time they come on the market.

Mr. Rahimtoola.—I would like to continue the trend of the discussion. You say: "there is practically no competition between British and Indian yarns."

Mr. Clement.—Yes.

Mr. Rahimtoola.—Am I to understand that the members of your chamber import only reject yarns.

Mr. Lowndes.—I think that is correct.

Mr. Rahimtoola.—How do you say there is no competition?

Mr. Lowndes.—There is no yarn. If there is no British 40s, there is obviously no competition, is there?

Mr. Rahimtoola.—Not direct competition. But is it a fact that 40s yarn were coming in before and have stopped being imported as a result of the duty?

Mr. Lowndes.—40s yarn came into the Calcutta market up to and including 1929.

Mr. Mudaliar.—Are you referring to any table here?

Mr. Lowndes.—I am speaking from memory.

Mr. Rahimtoola.—I take it that there is no direct competition between reject yarn and the Indian yarn.

Mr. Lowndes.—Yes, I would say that the competition is indirect there in view of the fact that we have been forced to bring in what is commonly known as reject yarn in order to compete.

Mr. Rahimtoola.—That means you are not able to import perfect yarns owing to price.

Mr. Lowndes.—Exactly.

Mr. Clement.—I think the man who wants perfect yarn must have perfect yarn for the cloth he is making and will not be prepared to use reject yarn. On the other hand the man who is using reject yarn has no objection

to using perfect yarn if he can get them. It will be better, stronger and unblemished.

Mr. Rahimtoola.—Do I take it that the yarns at present used by the handloom industry known as perfect yarns are all mill-made yarns?

Mr. Clement.—Yes and also Japanese and Chinese yarn.

Mr. Rahimtoola.—As far as United Kingdom yarns are concerned.

Mr. Clement.—I think so except a certain amount of dyed yarn. There is also a little 60s Turkey red and a little. They are very minute quantities.

Mr. Rahimtoola.—The price is given for one quality.

Mr. Clement.—Speaking from memory 60s red comes to something like 4 bales a month on an average.

Mr. Rahimtoola.—With regard to the point which the President asked you and contained in your memorandum, you just now described to us the method by which a dealer purchases his requirements from you.

Mr. Clement.—Yes.

Mr. Rahimtoola.—Do I understand you to mean that the dealer didn't know the technicalities of the trade and when he came to buy, he could not distinguish between reed and pick and so on?

Mr. Clement.—The upcountry dealers would certainly not know and in the import trade at any rate we don't disclose to the first hand buyer in Calcutta or the Calcutta wholesaler what the picks and reeds of yarn are. We don't disclose that. I think as the mill industry has increased its business in Calcutta, more and more people have got a certain amount of information and certain amount of knowledge about counts, qualities and so on, because the mills are in the habit of saying that they are selling dhories of counts 35/40 and that sort of thing dealers will come and tell you.

Mr. Rahimtoola.—But you as importers do not inform the dealers as to the counts, reed, pick and so on.

Mr. Clement.—No.

Mr. Rahimtoola.—How does he judge the price of the cloth?

Mr. Clement.—By feel. I think any one who is in the trade will be able to pick up a cloth and say by feeling that it is worth roughly Rs. 2.

Mr. Rahimtoola.—He has the experience which an ordinary consumer has, namely by feel and appearance he will be able to determine the price irrespective of its technical manufacture.

Mr. Clement.—He has also got the trade mark to go by. The cloth has a trade mark on it and it has a number which is selling in the market in dozens of shops. He will be guided by that.

Mr. Rahimtoola.—Some standard mark which he has bought in the past.

Mr. Clement.—He probably would not say "I want a new mark". We will say if this is expensive, would you like to see the other which is new?

Mr. Rahimtoola.—He might himself come forward and say this particular quality is not saleable and he would like to have another mark. Would that not happen?

Mr. Clement.—You sold me last year No. 1 which was too expensive I lost my money. I want something which has less pick and less reed and less counts or other alterations like that.

Mr. Rahimtoola.—In that case he would be entirely guided by feel and appearance.

Mr. Clement.—Yes.

Mr. Rahimtoola.—With regard to the memorandum you forwarded to us, I understand that you are representing the Importing Committee of the Bengal Chamber of Commerce.

Mr. Lowndes.—We are representing the Chamber of Commerce through this Committee.

Mr. Rahimtoola.—The Importing Committee, shall I say.

Mr. Lowndes.—They are the body of this Committee and we as delegation are actually representing the importing side of that. To all intents and purposes we are representing the Bengal Chamber of Commerce.

Mr. Rahimtoola.—I would first like to understand the emphasis you have put on the words "imported goods" contained in our terms of reference.

Mr. Lowndes.—Imports from the United Kingdom. I think that is what we want to emphasise.

Mr. Rahimtoola.—To recommend on a review of present conditions and in the light of the experience of the effectiveness of the existing duties against imports from the United Kingdom, is that the sentence?

Mr. Lowndes.—Yes.

Mr. Rahimtoola.—The level of duties necessary to afford adequate protection to the Indian cotton textile industry against imports from the United Kingdom.

Mr. Lowndes.—Yes.

Mr. Rahimtoola.—You think that the imports should be considered irrespective of the date or the year on which they were imported.

Mr. Lowndes.—I think so. If you don't consider them, you will have very little idea of what would come from Lancashire supposing you decided to reduce the duties. A certain style of Lancashire which might have gone out might come in again if you decide to reduce the duties. Without considering that you would find it very difficult to know what is going to come in as a result of the reduction of the duty. You will get some idea as to what is going to come in if you do reduce the duty by looking at what did come in 4 or 5 years ago.

Mr. Rahimtoola.—The point was raised by the Bombay Millowners' Association with regard to the terms of reference as well and they have drawn our attention to the paragraph which is contained in the resolution published along with the terms of reference. It is stated "On the expiry of the two years covered by the Agreement, the duties on British goods for the remaining period of protection would have to be decided". As a result of the agreement known as the Clare-Lees Mody Pact, protection was granted to the industry in May 1934. Though the duties on piecegoods existed since September 1931, protection to the industry was not granted till May 1934.

Mr. Lowndes.—Yes.

Mr. Rahimtoola.—The paragraph lays down "on a review of the existing conditions", i.e., after the expiry of two years covered by the agreement. The millowners say that a review of the conditions should be made for the period of those two years and of the goods that have been coming in after the protection for granted. This is the point of the Bombay Millowners' Association and I would like to have your views on the subject. They are reading the Resolution as a whole which includes the terms of reference.

Mr. Lowndes.—We put our interpretation on the actual terms of reference.

Mr. Rahimtoola.—Your point of view is that even if you accept that, interpretation, it will be difficult to get comparable goods which would give a fair estimate.

Mr. Lowndes.—Sufficiently comparable goods and we also feel you may get the industry into a terrible hole.

Mr. Rahimtoola.—In what way?

Mr. Lowndes.—You may let in a flood of Lancashire goods by not considering what happened 3 or 4 years ago.

Mr. Rahimtoola.—With regard to that the Bombay Millowners' Association have given a large number of samples of Lancashire goods which are really coming into the market. Have you seen them?

Mr. Lowndes.—Yes. I should not call it a very large collection.

Mr. Rahimtoola.—I am not talking of the quantity.

Mr. Lowndes.—If you are talking of styles, they are very small quantity of styles.

Mr. Rahimtoola.—Even if we take them from May 1934 would they be very small.

Mr. Lowndes.—I should say so, except in so far as if you go back to 1934, you will find in the market old goods which were imported three years before. If you take the goods imported since 1934, you will find there is a great difference. In one line put in by the Bombay Millowners' Association in the Calcutta market, the last sale was made, speaking from memory, in March, 1934.

Mr. Rahimtoola.—Is the list that you have given here a complete list of all the styles?

Mr. Clement.—I think it is fairly comprehensive.

Mr. Rahimtoola.—Would you like the Board to consider them for the purposes of equation?

Mr. Clement.—It doesn't include a certain number of styles in which as far as we know there is no competition with the Indian styles. Fancy woven goods are undoubtedly coming in. We consider it unnecessary to put them in as evidence. So far as we are concerned, we do not think that there is any competition from the indigenous industry.

Mr. Rahimtoola.—Personally I would like them to be put in. The question whether they should be free of duty or whether they should be considered in a separate category is a very important point which the Board will have to decide. I would therefore like the list to be as complete as possible. It would help the Board considerably in demarcating the line and leaving the others in which according to you there is no direct or indirect competition with Indian mill made goods.

Mr. Lowndes.—Would you like us to put in further samples?

Mr. Rahimtoola.—If you have those lines which, according to you are not competing at all, then I would like to have those samples and their prices.

President.—What do you actually mean by saying that they are not competing? In the first place have you in your own mind divided the trade into various things in which there is competition and no competition? If you know that there is no competition, then you, gentlemen, can have no difficulty in saying where there is competition.

Mr. Lowndes.—There is a border line between the two. There are obviously many things on which there is no competition.

President.—If you know definitely that there is no competition, you will have no difficulty in getting comparable goods where the competition exists.

Mr. Lowndes.—I don't think there will be any difficulty in knowing where competition existed.

Mr. Rahimtoola.—You say: "The British imports of Twills, Drill and Jeans are far superior to Indian products and do not compete with the Indian production". Is that one of the categories that you now mean?

Mr. Lowndes.—There is a firm called Horrocks, the world famous firm. Nobody in the world will be able to compete with them. In spite of the protective duties, it is going to America.

Mr. Rahimtoola.—Are they coming into the market?

Mr. Lowndes.—Yes.

Mr. Rahimtoola.—This is a special thing.

Mr. Lowndes.—I think so. There are one or two similar qualities, for instance twill. I notice Bombay mills put it in as '100,000'. Certainly

no Calcutta man would dream of wasting money by trying to compete with it. If somebody wants '100,000', it is no good trying to show something else.

Mr. Rahimtoola.—You have given us a complete list of the class of piece-goods manufactured in the United Kingdom which compete directly or indirectly and you have drawn our attention that qualities from (i) to (q) do not compete directly or indirectly with the Indian production.

Mr. Loundes.—I think the answer to that is that fancy styles depend on their design for sale. They sell because of the design. What actually happens as regards Indian goods is that the designs are put on to an entirely different cloth. So the two are really not comparable. You may put a design of two-fold poplin on to an ordinary white long cloth and the thing moves on.

Mr. Rahimtoola.—If you see the next class given by the Indian Mills, you have specified those very items and you say that these represent the lines manufactured in India which have had the effect of killing the import trade.

Mr. Clement.—You take the design and put it on something far away down the scale and there is no use importing that any more. Take the ladies' dress for instance. You get your Paris model and somebody pays 40 guineas for it. A few months later, that model is copied by all the ready made dress makers who are doing the cheap things, and the ladies are not going to buy that model again because it is all the typists that will be wearing that model.

Mr. Rahimtoola.—What particular trade have you in view when you say that this trade is killed, though the names here appear to be identical.

Mr. Clement.—I see what you mean. Our idea there is that our poplins are not to be compared with the so called poplins of Indian mills. Our poplins are made of much finer yarn.

Mr. Rahimtoola.—Is there much competition between the two?

Mr. Clement.—I should not buy one against the other. They would not be used for the same purpose.

Mr. Rahimtoola.—If you give us samples of all the English qualities which are not competing with the Indian goods directly or indirectly, it will be helpful.

Mr. Clement.—It is a very difficult thing to deal with all these because these patterns and designs come and go.

Mr. Rahimtoola.—You have given samples of goods made in India on page 21 of your original memorandum.

Mr. Clement.—Exactly those are the things we meant—2 cord poplins.

Mr. Rahimtoola.—These can be made in India. Do you maintain that they do not compete even indirectly?

Mr. Clement.—It is very hard to know what indirect competition is. I merely say this. Supposing somebody wants to buy one of these very fine things and his idea is that he is prepared to pay a rupee per yard. If he finds that it is Rs. 2 which is beyond his pocket, he is not going to go naked. He will buy something else. To that extent there is indirect competition. India is not going to go naked if it does not get Lancashire goods.

Mr. Rahimtoola.—I do not think there is the least possibility of that.

Mr. Clement.—Quite.

Mr. Rahimtoola.—You would therefore like to modify and say that the qualities from (i) to (q) do come into indirect competition.

Mr. Clement.—Yes.

Mr. Rahimtoola.—You have given us a complete list of the United Kingdom goods.

President.—Is that a complete list of goods coming in from the United Kingdom?

Mr. Lowndes.—No.

Mr. Clement.—These are only comparable goods.

Mr. Rahimtoola.—You say that you have given us for our consideration all the styles of goods coming into India through the port of Calcutta. I asked you a question sometime before.

Mr. Clement.—Yes, as regards competition. I think that you do not want to consider anything more than the samples we have put in.

Mr. Lowndes.—This is not by any means a complete list of all the samples of goods that are coming in. We thought that this would be sufficient for the purpose of the Special Tariff Board.

Mr. Rahimtoola.—I was not talking of the whole range. I see that these are all the styles that compete with Indian goods.

Mr. Clement.—Yes, compete in the sense in which the goods are comparable.

Mr. Rahimtoola.—You have not given us samples which are not competing directly or indirectly with the Indian mill made goods. Barring that, you have given us a complete list of comparable qualities.

Mr. Clement.—Yes.

Mr. Rahimtoola.—Take the first sample—Grey Dhooty. You have given the reed and pick as 17×15 . Later on you have given the reed and pick of the Indian sample as 12×11 per quarter inch. Is that a comparable quality?

Mr. Lowndes.—Yes. The United Kingdom dhooty is 1 lb. 13 oz. whereas the Indian dhooty is 1 lb. 11 oz.

Mr. Rahimtoola.—Is 17×15 also per quarter inch?

Mr. Lowndes.—Yes.

Mr. Rahimtoola.—Later on you deal with prices. The question of price is very important because we have to equate the prices and therefore I should like to have some more information. You have given us the various charges here that you say are generally added to the c.i.f. price in order to arrive at the wholesale market price. All of these would comprise the wholesale price or can I exclude any of the items?

Mr. Lowndes.—You must include the whole lot to get at the wholesale price.

Mr. Rahimtoola.—What is the distinction between the landed price and the wholesale market price?

Mr. Clement.—To the landed price you will have to add 3 months' interest, godown rent, fire insurance, trade discount, bazar brokerage and profit; in fact, all charges which would be incurred after the goods have been landed.

Mr. Rahimtoola.—I understand that you have excluded some. Is there a difference between the two prices?

Mr. Clement.—The landed price is c.i.f. price and landing.

Mr. Rahimtoola.—Exclusive of duty?

Mr. Clement.—Yes.

Mr. Rahimtoola.—All other charges are there.

Mr. Clement.—Exclusive of other charges.

Mr. Rahimtoola.—I would like to go into the question in greater detail. We have a large number of landed prices. The Millowners have supplied us with wholesale prices and I want to find out the distinction between these two. Take the imported c.i.f. price first and then tell me what has

to be included to arrive at the landed price and what has to be included to arrive at the wholesale price.

Mr. Clement.—To get from the c.i.f. to the landed price exclusive of duty, I think you would only add $\frac{1}{4}$ per cent. for handling charges done on the jhetties and carting charges to bring it up to the godown.

Mr. Rahimtoola.—They will be included in both.

Mr. Clement.—Yes, both the landed price and the wholesale market price.

Mr. Rahimtoola.—Is the c.i.f. Calcutta value per pound or per bundle or what?

Mr. Clement.—Per unit.

Mr. Rahimtoola.—The unit is a package.

Mr. Clement.—The unit in the case of dhooties would be a pair. In the case of grey shirting, it would be a piece. In the case of dyed goods, it might either be a piece or a yard. In the case of prints, it would probably be a yard in the case of Lancashire goods and a piece in the case of others.

Mr. Rahimtoola.—It is all according to the unit and not according to the package.

Mr. Clement.—There are 400 pairs of dhooties in a package. We calculate the quarter per cent. on that.

Mr. Rahimtoola.—The next item is interest on duty and landing charges for three months at 4 per cent. Why do you take the period of 3 months?

Mr. Clement.—Under the ordinary Calcutta contract, a dealer is allowed three months in which to take delivery. He buys ex-godown Calcutta and he has a right under his contract to leave the goods in the seller's godown for three months without having to pay any rent or taking delivery of them. But at the end of three months under the terms of the contract, he must till he is able to take delivery.

Mr. Rahimtoola.—Interest on duty and landing charges comes to 4 per cent.

Mr. Clement.—The seller would add that to his c.i.f. price. He will add the interest for three months because under the terms of the contract the buyer will not necessarily take delivery until three months have expired.

Mr. Rahimtoola.—You are now talking of a large importing house which imports according to the orders received from his buyer or dealer. The practice is that the importing firm keep the goods with that house till he is able to take delivery then keeps them.

Mr. Clement.—Yes.

Mr. Rahimtoola.—And the dealer does not take immediate delivery.

Mr. Clement.—He may.

Mr. Rahimtoola.—He need not take delivery until he requires these goods.

Mr. Clement.—No.

Mr. Rahimtoola.—No charges are added.

Mr. Clement.—On the 90th day on which he takes delivery, he can pay the contract price and $1\frac{1}{4}$ per cent. trade discount.

Mr. Rahimtoola.—You are adding $1\frac{1}{4}$ per cent. on his price.

Mr. Clement.—The importer is doing.

Mr. Rahimtoola.—You are charging interest only on duty and landing charges.

Mr. Clement.—It ought to be interest on the duty and landing charges and on the c.i.f. price.

President.—We are perhaps at cross purposes. On the one hand, we have the landed price. The landed price is the c.i.f. price *plus* landing charges.

Mr. Clement.—Yes.

President.—Having landed them and put them in the godown and paid the duty on them, my colleague wants to know what are the various items which have to be added to enable you to arrive at the wholesale selling price?

Mr. Clement.—After paying the duty.

President. Yes.

Mr. Rahimtoola.—I want to make some distinction between the two.

Mr. Clement.—Right at the top, write the c.i.f. price. Underneath it, place $\frac{1}{4}$ per cent. and then draw a line and you get the landed price. Underneath the total add the duty, the interest on duty and landing charges for three months at 4 per cent. Add also 12 annas for godown rent.

Mr. Rahimtoola.—Here the charge is different—4 annas per package.

Mr. Clement.—The godown rent is 4 annas per package, per month.

Mr. Rahimtoola.—What would be the value of the package? Will it be 400 to 500 rupees?

Mr. Clement.—A package of dhoties will be Rs. 800 including the duty.

Mr. Rahimtoola.—Here the value would be different in different cases if you charge it per package.

Mr. Clement.—Yes. Four annas is so small that an average man does not take it into consideration.

Mr. Rahimtoola.—The next item is fire insurance. What percentage shall I take?

Mr. Clement.— $\frac{1}{4}$ of $\frac{1}{4}$ per cent. Draw another line and total it up.

Mr. Rahimtoola.—That is the wholesale market price.

Mr. Clement.—No. Draw another line and add to the resulting total $1\frac{1}{2}$ per cent. for trade discount.

President.—Add or deduct it. *सत्यामेव जयते*

Mr. Rahimtoola.—You add first and deduct it afterwards from the other side.

Mr. Clement.— $1\frac{1}{2}$ per cent. trade discount and $\frac{1}{4}$ per cent. declared for the guarantee broker.

Mr. Rahimtoola.—What is that?

Mr. Clement.—We usually pay for the guarantee broker who takes the risk of the dealer paying the amount.

Mr. Rahimtoola.—That is added to the cost.

Mr. Clement.—Yes, finally you would have the importer's profit.

Mr. Rahimtoola.—What about the bazar brokerage?

Mr. Clement.—That would not come into the wholesale market price, because the bazar brokerage is paid by the buyer.

Mr. Rahimtoola.—The total of all that is the wholesale market price.

Mr. Clement.—Yes.

Mr. Rahimtoola.—How far does it resemble the wholesale price as supplied to us by the Customs Department? The figures given to us by the Millowners are those supplied by the Collectors of Customs at the various ports.

Mr. Lowndes.—For Customs purposes the Customs Department ask for the wholesale cash market price. They allow $1\frac{1}{2}$ per cent. discount on the wholesale market value I think. The godown rent and the interest on duty are (not)* included in the cash price.

Mr. Rahimtoola.—When the price of imported goods is quoted to you by a firm from abroad does not the importers' commission included in that?

Mr. Lowndes.—No.

Mr. Rahimtoola.—And no discounts also are included?

Mr. Clement.—There might be. They buy sometimes on what is called return commission system, the idea of that being this: supposing some unauthorised person saw your telegram he would not know what was the price or what was the rebate or discount allowed where there was one. But so far as our prices are concerned they are c.i.f. net prices.

Mr. Rahimtoola.—Supposing the importer has got his own shop?

Mr. Clement.—He still has got to add these things. He would have to add a little more.

Mr. Rahimtoola.—There won't be the question of interest on duty, delivery period, guarantee and so on.

Mr. Lowndes.—Interest of course he would have to pay.

Mr. Rahimtoola.—Interest will depend upon the amount he is able to dispose of.

Mr. Lowndes.—I think the custom in Calcutta is to quote a price to the retailer which is cash price less $1\frac{1}{2}$ per cent. cash discount.

Mr. Rahimtoola.—When you mention your sales price what percentage have you taken into consideration over and above the exchange?

Mr. Clement.—We have given you the c.i.f. price and we have given you the equivalent exchange price, that is the price in rupees, which is Rs. 2-10-3.

Mr. Rahimtoola.—I want to know what the sale price is comprised of.

Mr. Lowndes.—It is the price at which we sell direct to the dealer taking into consideration all the charges which Mr. Clement has enumerated there.

Mr. Rahimtoola.—Should I say that if I deduct the duty from the sale price, I will get the commission percentage?

Mr. Clement.—If you deduct from the sale price 4 per cent. and deduct the duty, you arrive at the c.i.f. price *plus* the importer's profit.

Mr. Rahimtoola.—Then should I say that if I deduct 5 per cent. from the sale price I get the duty paid price?

Mr. Clement.—Yes.

Mr. Rahimtoola.—You have given us Dewhursts price. Exchange works out at 8 shillings=Rs. 2, therefore 15 shillings ought to be Rs. 10.

Mr. Clement.—Yes.

Mr. Rahimtoola.—In 1928 the duty was 11 per cent.; so if you take 16 per cent. and deduct it you won't get the figure of Rs. 11-7?

Mr. Clement.—Rs. 10 *plus* roughly 11 per cent.

Mr. Rahimtoola.—And I would add your 5 per cent. in order to make it a sale price?

Mr. Clement.—I rather guess that they were selling in rupees with the duty extra. They would likely include all their commission or discount and godown rent, 90 days interest and guarantee and not the duty.

Mr. Rahimtoola.—Most of the prices do not tally here. I am taking the equivalent exchange and adding 11 per cent. and 5 per cent. and adding 25 per cent. *plus* 5 per cent. I think you had better revise the figures.

President.—Will you please revise all these prices; they don't seem to me to work out as you have been describing to us. The point is you have given us what you call usual charges; when we apply them to your sale prices we find they are unworkable.

Mr. Clement.—They are actually correct.

President.—You mean they are the actual sale prices but not selling prices got on that basis?

Mr. Rahimtoola.—That is the very reason why I asked you what the selling prices are comprised in order to find out whether there are any irregularities. I will take you back to the page in which you say "There seems to be no similar quality to this made in Bombay". What exactly do you mean by this?

Mr. Clement.—We mean there is no comparable quality.

Mr. Rahimtoola.—Is this grey shirting? There are so many Indian qualities in grey shirting that it may be indirect competition. Their sales are generally conducted by their trade numbers; the dealer buys according to the number and this I understand is one of the numbers of grey shirting. It may be very good quality but you cannot say that there is no comparable quality.

Mr. Clement.—The man who wears it must have used it to replace something he has been using before.

Mr. Rahimtoola.—Wherever you have given us prices of Indian quality I presume they are Calcutta prices?

Mr. Clement.—I think so.

Mr. Rahimtoola.—You have said that you have not been able to get all the Indian prices.

Mr. Clement.—They are all prices given by the dealers and I cannot vouch for the accuracy of these prices.

Mr. Rahimtoola.—They are not Bombay prices?

Mr. Clement.—No.

Mr. Mudaliar.—Following up the last question of my colleague, you say in your statement that so far as goods made from imported cotton are concerned we ought to apply different tests with reference to this question of protection.

Mr. Clement.—In so far as reference in this enquiry is in reference to prices.

Mr. Mudaliar.—That is your understanding of the terms of reference.

Mr. Clement.—I think so.

Mr. Mudaliar.—Referring to the first observation you made with reference to our terms of reference that we should not merely take the effect of the duty since 1934, may I know from what date you think our terms of reference require us to consider the effectiveness of the duties.

Mr. Clement.—Say 1930-31, as you yourselves suggest in the questionnaire. But that was the boycott year and we should like you to go back to the normal years, say 1928-29. We should like you to go back to consider the position from 1929 which would be a fair year to take.

Mr. Mudaliar.—I was rather on a different point. When you take a survey of the conditions of the import trade, you may go back as far as you like to have a complete picture of the trade. We were asked to find out the effectiveness of the duties. Do you make a distinction between the duties which the Textile Industry Protection Act levied in 1934 and the duties which were levied by the second surcharges in September, 1931, bearing in mind that the duties leaving aside yarn were practically the same? Therefore when you ask us to go back and consider the effect of the duties, do you make any distinction between the duties which are supposed to be levied as protective duties and duties which were exactly the same but which were supposed to be levied as revenue duties?

Mr. Clement.—There would be no difference from the practical point of view.

Mr. Mudaliar.—In each case you would go back to the time when the duties now prevailing were levied for the first time?

Mr. Clement.—To consider the effectiveness of the duties you must compare the activities of the mill industry and its effect on the import trade with the mill industry's activities before the duties were really levied.

Mr. Mudaliar.—From that point of view so far as the cloth trade is concerned, September, 1931, would be the starting point to be taken into consideration?

Mr. Clement.—There we get into the difficulty of the boycott.

Mr. Mudaliar.—The duties came in in September, 1931, and the effectiveness of the duties can only be understood by tracing back the trade before the duty was levied and tracing it forward after the duty was levied?

Mr. Clement.—That is right.

Mr. Mudaliar.—With reference to yarn the position is different. The present level of duties came into force in the year 1927 and even there the duties were reduced in 1934.

Mr. Clement.—Yes.

Mr. Mudaliar.—Let me take first the question of yarn. Do you suggest that the reject yarns do not compete with the yarns of identical counts which are mill made.

Mr. Lowndes.—They are the only counts which we can bring to Calcutta and we obviously bring them in—because they are useful and because they don't compete.

Mr. Mudaliar.—All that we can say is the perfect yarn is priced so high that it could not come in. Reject yarns being of lower price do compete with the perfect yarns of the local mills.

Mr. Lowndes.—That is right.

Mr. Mudaliar.—Therefore to that extent the reject yarns are in direct competition with those produced in India.

Mr. Lowndes.—Yes.

Mr. Mudaliar.—You give the prices of all the reject yarns. I take it that is for a lb.

Mr. Lowndes.—Yes.

Mr. Mudaliar.—These cop yarns are yarns which are ready for the weaving shed.

Mr. Lowndes.—Yes.

Mr. Mudaliar.—They are not in hanks.

Mr. Lowndes.—No.

Mr. Mudaliar.—As they are used only by the weaving sheds, you say that they are not in direct competition with the yarn produced by the pure spinning mills.

Mr. Lowndes.—I should say no.

Mr. Mudaliar.—It is quite possible for the spinners here to produce cop yarns.

Mr. Lowndes.—Yes.

Mr. Mudaliar.—Could you say that no spinner in this country produces cop yarn and supplies the weaving sheds?

Mr. Clement.—No, none at all.

Mr. Mudaliar.—Have you any idea of the amount of cop yarns that come in? If you take the total imports of yarn and deduct the reject yarns, you can get the import of cop yarn.

Mr. Clement.—Yes.

President.—Would you try and get us some information on that point?

Mr. Clement.—I don't think it is possible. We have a rough idea who the importer is. He is not selling in the market. He must be coming through the mill.

President.—You say that there will be no competition, but we have had it suggested to us that some mills for instance may be importing better class of yarns, using them and setting free their production for sale to the handloom weaver.

Mr. Clement.—It is quite possible.

President.—I am seeking information. All that we have heard is a suggestion.

Mr. Clement.—We have no information.

Mr. Mudaliar.—Though cop yarns may not directly compete with yarns produced by the spinning mills, you realise that the use of a large amount of cop yarns by weaving sheds would certainly be a handicap in this country to the weaving industry which is composed of spinning and weaving mills.

Mr. Clement.—Yes.

Mr. Mudaliar.—So that we have to take into account cop yarn as a competitive factor not directly with yarns, but in relation to the cloth produced.

Mr. Clement.—Yes.

Mr. Mudaliar.—In your memorandum you make a very interesting suggestion which I should like you to further consider. You refer to various types of goods or classes of goods, whatever the word may be, which come from the United Kingdom. You say certain goods are not produced by the mills and therefore there is no competition. Certain classes are produced to such a small extent that it is a handicap to the consumer to have these high duties on them. I think you refer to printed goods, dyed goods and so on. Before I come to the actual classification, am I to understand that your suggestion is that the rates of duties on those goods may vary according to the intensity of competition with Indian mills.

Mr. Clement.—There is one possibility and that, I think, would be very difficult to work in actual practice.

Mr. Mudaliar.—That is your suggestion in the memorandum submitted.

Mr. Clement.—I think it would be very difficult, but it is a question which you must consider from the practical point of view.

Mr. Mudaliar.—You are opposed to differential duties as applied to classes of goods.

Mr. Lowndes.—Yes.

Mr. Mudaliar.—Is it your suggestion that an average duty should be levied on all cloth?

Mr. Clement.—Yes.

Mr. Mudaliar.—How would you work out an average?

Mr. Clement.—Take the biggest possible number of comparable qualities that you can get and work it back. Undoubtedly you have at the two ends some things where somebody may gain and somebody may lose.

Mr. Mudaliar.—Let us go into the question step by step. Take two comparable goods.

Mr. Clement.—Yes.

Mr. Mudaliar.—Do you select them according to the bulk of their imports?

Mr. Clement.—I don't think so.

Mr. Mudaliar.—Would you take individual pieces as comparable?

Mr. Lowndes.—Yes, quality for quality.

Mr. Mudaliar.—Of individual pieces.

Mr. Lowndes.—Yes.

Mr. Mudaliar.—And then average them all out?

Mr. Lowndes.—Yes.

Mr. Mudaliar.—That is to say you take a piece of grey dhoti and compare it with a comparable quality of Indian dhoti. You take a piece of longcloth and grey shirting and compare it with the Indian made and then go to white and bleached.

Mr. Lowndes.—I should not say one grey dhoti, but 10 grey dhotis, 10 different classes of white mulls.

Mr. Mudaliar.—And add up the prices of 100 different pieces.

Mr. Lowndes.—You have to make allowances all the way round. That is one possibility. Another possible way of working it is to try and get production costs which will be very difficult.

Mr. Mudaliar.—I want to follow up this question. How do you arrive at the average to equate two pieces? As I understand it, you take 10 different cloths of grey dhotis, 10 different cloths of grey shirtings, grey jaconets and madapolams, white shirtings, white nainsooks, white mulls and then you go on to dyed pieces similarly and to printed goods. Having got 60 or 70 pieces, take their prices and average them and take the prices of Indian mill production and average them and then equate the prices and say if it is a case of specific duty, it comes to 5 annas per lb. and if it is *ad valorem*, it should be 20 per cent.

Mr. Lowndes.—It is very difficult to say yes.

Mr. Mudaliar.—Take the kind of goods that are not coming in now. You say that there are a number of goods which are not coming in. How would you take their prices? You want that also to be included.

Mr. Lowndes.—We get quotations regularly.

Mr. Mudaliar.—What quotations you would ask us to rely on? Do you mean quotations made at the moment when the Tariff Board was constituted?

Mr. Lowndes.—We get quotations from various people in various places.

Mr. Mudaliar.—When you come to the question of quotations, would you take quotations which were obtained 6 months or a year ago before the Special Tariff Board was ever thought of.

Mr. Lowndes.—It is awfully hard to go back and say what was the price 12 months ago.

Mr. Mudaliar.—How are we to test the prices?

Mr. Lowndes.—You can take the quotation A and quotation B.

Mr. Mudaliar.—Both know that there is a Special Tariff Board sitting in Bombay.

Mr. Lowndes.—You can get actual contracts and try to equate them down to this. I daresay the experts might be able to get the quotations of 5th January and 5th September and equate them on cotton.

Mr. Mudaliar.—Unless the contract is for a large amount, it is quite easy to put up a contract at an artificial figure.

Mr. Lowndes.—It might be possible to bring that up.

Mr. Mudaliar.—Have you got any old contracts or old quotations?

Mr. Lowndes.—Yes. We keep contract prices for years.

Mr. Mudaliar.—How would you work that out?

Mr. Lowndes.—I have not thought of that. I do not know whether the experts could get true prices. I don't think they could get at them. After all in one day it is selling and another day it is not selling.

President.—You say in your case that there are some cloths made in Lancashire that are not coming in or doesn't compete with the Indian mill-made cloths. On the other hand our Indian friends, the Millowners tell us that they have actually made particular cloths in an attempt to compete with those particular cloths you refer to and they find that their selling price is so low that they can't compete and they want a duty.

Mr. Lowndes.—Yes.

President.—Could you tell us how we should proceed to equate the prices?

Mr. Lowndes.—All that we can do is to produce comparable ones. If you go through them, you will be able to get at the cloth which used to come 5 years ago and would come in again if the duty was reduced to a certain figure and you can get exactly these qualities produced by the Indian mills.

President.—Can you do that for us? I don't think I should. You are an importer. Can you do it? I do not know what inference we will draw from it. How do you meet the Mills' case?

Mr. Lowndes.—Presumably in those goods it is desirable that they should have protection. I think the Bombay Mills' case is that various mills produced white mulls and had to give them up. Some mills at any rate are successfully manufacturing white mulls and putting them on the market. I don't deny that some mills are unable to do, but there are a great number of mills producing and marketing white mulls.

President.—Do I rather gather that you criticise the Bombay statement?

Mr. Lowndes.—I do criticise.

President.—I would rather put it this way. You accept the statement of particular mills that they have been unable to produce an article that competes, but in your experience there is a tremendous lot of first class mulls on the market made by some Indian mills and which does compete.

Mr. Lowndes.—Yes.

President.—In your comparison of samples, you find all these comparable.

Mr. Lowndes.—Yes, lots of them.

Mr. Mudaliar.—Please turn to the page where you give samples of Lancashire grey shirtings. You say that there has been no business owing to specific duty from 1931 onwards.

Mr. Lowndes.—Yes.

Mr. Mudaliar.—You take this also as a quality to be compared. How would you give the present price of that quality? Anything with reference to the style which ceased to exist two or three years ago, you would like that to be taken into consideration in averaging prices?

Mr. Lowndes.—We can give you that.

Mr. Mudaliar.—My difficulty is how can I get at the landed price.

Mr. Lowndes.—Only we can get the importer to quote it.

Mr. Mudaliar.—You mean quotations can be obtained now?

Mr. Lowndes.—He has quotations which he can give you of 1931-32, and 1933-34.

Mr. Mudaliar.—Have you got quotations of these?

Mr. Lowndes.—Another reason I am certain in stating is that they have never got a chance which will enable them to sell.

Mr. Mudaliar.—With reference to cloth that has ceased to come in during the last six months or one year, if you can get quotations of that cloth while the duty was on and send it to the Board, it would be of great help.

Mr. Lowndes.—I could give for a certain number.

Mr. Mudaliar.—Kindly turn to Sir Shapurji Barocha Mills. You give your sale price. That you have already said is the wholesale price in the Calcutta market.

Mr. Lowndes.—Yes.

Mr. Mudaliar.—You give the percentage protection. I want to know how you worked it up. You mean by percentage protection required by the millowner.

Mr. Lowndes.—Percentage difference.

Mr. Mudaliar.—Between what and what?

Mr. Lowndes.—Per piece of cloth—Rs. 1-15 and Rs. 1-5.

Mr. Mudaliar.—You have merely deducted the sale price of the Lancashire cloth from the sale price of this quality and have quoted the percentage difference between the two.

Mr. Lowndes.—Yes.

Mr. Mudaliar.—I was very much misled by the percentage protection. In your representation you say: "The Committee wish to stress the unreliability for the present purposes of prices obtained from the bazar and Customs because in many cases although given in all good faith these prices do not represent the true selling price". I wish you explain that.

Mr. Lowndes.—We submit from the way in which the *ad valorem* duty is assessed, the duty is subject to a reduction or an increase as the case may be. The prices declared for the Customs may bear no relation or a varied relation to the prices at which these goods have been sold and at which they are brought into Calcutta. It may have been sold at Rs. 2-6. On the day when these goods arrive, by reason of the fact that the market is holding large quantities of that particular quality, the goods are not moving readily and the market price in consequence has dropped from the price at which these goods have been indented, so that the importer in submitting the prices for assessment to the duty, gets the benefit of the drop in price. On the other hand, it operates entirely in the other direction if the price goes up. The goods may have been indented for at Rs. 2-6. At the time of their arrival, it may so happen that the market has run short of stock and consequently the price has gone up to Rs. 2-9. You bring the goods calculated at a lower price, but you find on their arrival that you have to pay the duty not on Rs. 2-6 but on Rs. 2-9. It is all governed by the law of supply and demand.

President.—In a way what you lose on the swings you make up on the roundabouts. We are glad that you have drawn our attention to that, but I don't think there is much substance in it. The Customs figure that they have got as a wholesale price and the Mills' competing price, all that we will take into account.

Mr. Lowndes.—If you look up any particular invoice in the Customs you will find that the price mentioned in the invoice is not bearing a close relationship to the wholesale price submitted on the same day.

President.—On this question of comparing prices, as you know, according to the terms of reference, adequate protection should be given to the Indian industry. We will devise some method of arriving at their fair selling price as against your imported price. As regards the method of arriving at the fair selling price, have you anything further to say in that connection?

Mr. Lowndes.—No.

Mr. Rahimtoola.—You have submitted just now a statement which is rather comprehensive, and it is not possible to go into the details at present. But I just want to touch one or two points. In the first paragraph you say that you do not hold a brief for Lancashire but that you were one of the importers of their goods.

Mr. Clement.—We looked it up and found that there were 20 different countries from which Calcutta was and is importing piecegoods.

Mr. Rahimtoola.—Through your members?

Mr. Clement.—Yes.

Mr. Rahimtoola.—But the bulk of your goods are coming from Lancashire.

Mr. Clement.—Yes.

Mr. Rahimtoola.—In the next page you say "We suggest that as the Customs authorities retain copies of all piecegoods imported, they should be asked to supply the information required".

Mr. Clement.—Yes.

Mr. Rahimtoola.—If we get the c.i.f. prices from the Collectors of Customs, will they be able to give us the dimensions, reed, pick, etc.?

Mr. Clement.—No reed and pick: certainly not the counts of yarn. You will only get the quality number from the invoice and that is connected up with the sample. You can analyse the sample and get the reed and pick.

Mr. Rahimtoola.—The difficulty is that even if we get the number, the dimensions and particulars may not be correct. I understand that the office of the Tariff Board supplied to you a copy of the Appendix F submitted by the Millowners Association in which they have given you the numbers 53000, 54000 and 56000 and also their reed and the pick.

Mr. Clement.—In the first place they said that it was 42" wide but it is not. The width is as follows:—53000, 37" instead of 42", 54000, 41" instead of 42", 56000, 41" instead of 42".

Mr. Rahimtoola.—I shall be grateful if you will take some extra trouble and correct the figures if you find them wrong.

Mr. Clement.—We will ask the importer to do it.

Mr. Rahimtoola.—I will tell you why I want the information. I was wondering, when the Millowners obtained their prices from the Collectors of Customs, whether they got their dimensions from whatever information was available with the Collectors or whether they got it from the bazar. Therefore a check from you will enable us to find out whether the comparison is correct or not.

Mr. Clement.—In our main statement you will find the particulars of "53000" given, viz., Dimensions 37×20: Reed and pick 61×43.

Mr. Rahimtoola.—Is your statement correct?

Mr. Clement.—It was supplied by Messrs. Ralli Bros.

Mr. Rahimtoola.—If you could give us the information for all the samples, it would be possible for us to check them.

Mr. Clement.—Yes, as far as possible, we will give you.

Mr. Mudaliar.—You give Ralli Brothers' Grey Jaconets and you also give the sale prices there. The piece is 20 yards long. I wish you verify that.

Mr. Clement.—I also enquired and we were told by Messrs. Ralli Brothers that it was the average sale price of two pieces. We checked it also with the Bombay Millowners' price.

Mr. Rahimtoola.—Do I understand that in this statement you have also dealt with the Ahmedabad Millowners' case?

Mr. Clement.—Yes.

President.—Here is a letter which has been sent to us today by your Chamber. What does the last paragraph mean? It reads as follows:—"With regard to the Millowners Association's view that in no instances are "making" prices of Indian and United Kingdom cloth exactly the same, the Chairman of the Imported Cloth and Yarn Sub-Committee Mr. W. L. Clement will doubtless deal with this point when he appears before the Board on Monday". What does "making prices" mean? I suppose it should read as "making particulars".

Mr. Clement.—I should think so.

Mr. Rahimtoola.—You make a statement regarding the interest on working capital which I don't quite follow. You have stated "Interests on loans from Managing Agents should not be taken account of in calculating overhead costs as such loans are in some cases not really withdrawable". I don't follow that.

President.—Might I suggest that you leave it to us?

Mr. Clement.—Yes.

Mr. Rahimtoola.—I don't mind. You make a statement about the managing agents.

Mr. Clement.—It is a point we do not want to go into.

Mr. Rahimtoola.—You have mentioned that overproduction is due to the prevailing system of remunerating managing agents. The question of managing agency system is not one to be reviewed in this enquiry. But I take it that you would not object to a fair remuneration to the managing agents.

Mr. Clement.—Not at all.

Mr. Rahimtoola.—You have given us at the end statements with regard to the different qualities of goods that are imported, but it is not possible for me at any rate to get a clear idea unless the terms of reference are, as you say, clearly interpreted. As I told you, the Millowners' view is that the white goods importation has increased since 1931.

Mr. Clement.—No doubt about that.

Mr. Rahimtoola.—I see that the figures given by you also show a large increase.

Mr. Clement.—There has been an increase.

Mr. Rahimtoola.—You want us to go back to 1925-26.

Mr. Clement.—All these figures have been given to give you a long picture.

Mr. Rahimtoola.—The Millowners have stated differently from what you suggest.

Mr. Clement.—Supposing we ask you to tackle from the year 1929. We have given you figures from 1929 onwards. It may be suggested that that probably 1929 is not a fair year to take as it does not give a fair picture.

Mr. Rahimtoola.—I am asking you what you consider to be a fair picture. The protection to the industry was granted in 1930. The existing duties came into effect in 1931. Boycott started somewhere in 1930 and was not called off till February 1932. The sales according to you take four or five months after the normal period and therefore you are not in a position to find out the effects of it. You say that 1932-33 will be a bad year to take and therefore you want us to go back to 1925-26.

Mr. Clement.—Any year prior to 1930—1925-26, 1926-27 or any other year—or an average of the whole lot.

Mr. Rahimtoola.—In 1934-35 white goods like madapolum, cambrics and muslins have more than doubled if you compare them to 1929-30 and even if you take other years you will also find the same results. In 1933-34 it has practically doubled.

Mr. Clement.—There is a misprint somewhere.

Mr. Rahimtoola.—Will you be able to give us fresh figures?

Mr. Clement.—These were taken from the trade navigation returns.

Mr. Rahimtoola.—We have got these figures; they are correct there is no misprint. If the figures are correct you will admit that it has practically doubled. Such is the case with drills and jeans also.

Mr. Clement.—Yes.

Mr. Rahimtoola.—I would like to understand the item 'unspecified'. If you take the figures under—"Printed Goods"—you will find a head "Unspecified" which has gone up considerably since 1929-30. There is a definite increase there also.

Mr. Clement.—Yes, by half a million yards.

Mr. Rahimtoola.—What are they composed of? There is an increase also under the same head in "Dyed Goods". That is why I am interested in this large increase and I want to know what this consists of.

Mr. Clement.—In dyed goods there has been more demand; they have become more popular.

Mr. Rahimtoola.—Therefore since 1929-30 there has been an increase in some of the qualities of goods?

Mr. Clement.—Yes, certain styles have become popular.

Mr. Rahimtoola.—You have given us an idea in your memorandum that there has been excessive protection and I am seeking information as to what excessive amount of protection would lead to. One would naturally expect the mills to show profits.

Mr. Clement.—Not necessarily. I am not an economic expert but I think one possibility of the effect of protection is that it might lead to many noses breaking up as a result of internal competition.

Mr. Rahimtoola.—Internal competition can only arise if the production is more than the consumption. At present consumption of Indian goods remains practically the same. The Lancashire Delegation has supplied us with very comprehensive figures showing the consumption per head. India is being supplied by three parties, namely Lancashire, Japan and India, and if the protection is to prove successful and adequate, apart from being excessive, then it is quite natural that the mill production should go up and imports must fall. Have you any experience of the working of the Bengal mills?

Mr. Clement.—We have no information. We are not interested in the Bengal mills.

Mr. Rahimtoola.—You do not know the present condition of the Bengal mills?

Mr. Clement.—No.

Mr. Mudaliar.—With reference to this question of the imports of different styles of goods, to have a complete picture you find that while certain styles in white bleached goods have gone up, others have fallen. I have got figures for calendar years which I think will correspond with the fiscal years that you have taken, after full calculations are made. Taking white bleached qualities I find there are three or four main qualities which used to come in: dhoties and scarves in 1929 were 51 million yards. Could you explain why certain styles have fallen so much and certain styles have gone up?

Mr. Clement.—Take scarves. In Bengal at any rate the imports have fallen; in 1926 it was 7,000, in 1929 it was 3,000 and in 1931 it was 1,091. Whereas everybody in Bengal used to wear some sort of scarf now they do not use any. That is one explanation.

Mr. Mudaliar.—And nainsooks?

Mr. Clement.—That is the result of more successful competition in India.

Mr. Mudaliar.—Then why is there not excessive competition in jaconets?

Mr. Clement.—A large quantity of these go to the Nepal border and they pay no duty and the finishes are peculiar. It has rather a special finish which is more difficult to imitate.

President.—Gentlemen, we are very much obliged to you for having come all this way to give evidence and we shall be glad to hear further from you. There is only one point about yarns that I would like to refer to. I find amongst my papers here a comparative statement showing how particular yarns are in competition with yarns produced in Southern India. Are you familiar with any of them? Of course you have already told us that you handle reject yarns and you cannot tell us anything about cop or other yarn. Will Bombay or Madras be able to tell us anything about this?

Mr. Clement.—In Calcutta if we want to get information about this we will go to the Calcutta millowners.

Mr. Mudaliar.—In rejects are there any names at all?

Mr. Clement.—Yes, Raja & Peacock, Three Fairies, Raja & Tiger, Lady & Cushion and so on.

THE MADRAS CHAMBER OF COMMERCE.

Evidence of Messrs. D. M. REID and Mr. N. RANGANATHAN recorded at Bombay on Tuesday, the 17th December, 1935.

President.—Mr. Reid, I am very much obliged to you and your friend for coming all the way from Madras and we appreciate it very much. In the case of most of the other witnesses who have come before us we have referred to the fact that cases have been exchanged. That is to say when you sent us your case, we passed it on to others and others' cases have been sent to you and such being the case we asked the witnesses whether they wish to say anything generally, as to whether they desire to modify their statement or to confirm what they have said or to find fault with anything which was stated in the other cases before we proceed with the oral examination. Have you any statement to make?

Mr. Reid.—We have had no communication from the Board on that subject and having submitted our memorandum, we have nothing to add except such as may arise during this examination this morning. If necessary we are prepared to send in supplementary memoranda that may be necessary to illustrate what we have already done, but at the present stage we have nothing further to add.

President.—You say you have not had anything. Did you get any copies of the others' cases?

Mr. Reid.—They went to the Chamber of Commerce and they were in circulation to the Members of the Chamber of Commerce.

President.—Are you not representing the Madras Chamber?

Mr. Reid.—Yes. I did receive them.

President.—It was really with reference to these particular cases that we wondered whether you wish to make any special remarks and if you wish to say anything, you may say it now or later on.

Mr. Reid.—We have had some of them only two days ago and we had very little time to study the cases.

President.—I realise that. The distance is so great. It must be very difficult for you. Let us go on to the oral examination and if necessary you will amplify it later when you have seen the cases. The first thing I would like to say as regards your own case is I am glad that you have stuck very closely to the terms of reference. Some of the witnesses have been inclined to rather digress, but as far as possible, so far as I can see, you have rigidly adhered to the terms of reference. In answer to question 1 you say: "The general effect has been that United Kingdom piecegoods, taken over all their wide ranges, for which there is always a demand, are steadily proving to be beyond the consumers' pockets owing to the high duties levied". We have had from other witnesses various reasons why the falling off has taken place in the business done in imported goods. You were simply saying here that the high duties have proved to be beyond the consumers' pockets. Are there any other factors affecting your trade besides the high duties? I am not suggesting anything to you, but I am just wondering whether there are any other factors which did affect the imports of Lancashire goods.

Mr. Reid.—The only general factors covering the whole styles would be (1) Japanese competition and (2) change in fashions. I cannot think of any other factor at the moment apart from the high duties. The 'high duties' are the principal factor in the reduction of imports as shown.

President.—You say the high duties were too much for the consumers' purchasing power. The purchasing power is itself affected by the depression.

Mr. Reid.—I think it has improved a good deal recently, has it not?

President.—What was the effect of the boycott in Madras?

Mr. Reid.—Not very much. You know the Presidency of Madras has never been very much affected by outside influence. It is internally national as regards its own Presidency and it is extremely well run from both the European and the Indian point of view.

President.—There is one other point on this Question No. 1. You say that the consumer has to content himself with Indian Mill qualities, which, though cheaper, are poor value for the price exacted. Why do you say that the mill goods are poor value?

Mr. Reid.—For example white dhoties now being worn generally in the Madras Presidency are of coarser yarn, coarser cloth and generally an inferior article as compared with what used to be worn before 1931. You can see the samples we have put in, of the dhoties which were worn before 1931 and the present Indian mills dhoties. If you see the two, cloth for cloth, the Lancashire cloth is a finer one. If these two qualities are presented, they would prefer the finer cloth. It must be admitted that to a certain extent when a man has worn a particular cloth, he gets accustomed to it. It may be now he is accustomed to the coarser cloth and he may go on doing that, but I hope not. I hope when you reduce the duties, it may be possible to go back to the other side.

President.—You must not be too optimistic.

Mr. Reid.—No, I am not.

President.—For instance you speak about "driving away" and you specially say that as regards white mulls the attached samples of United Kingdom qualities with competing Indian qualities will show how this business is in grave danger of following the decline of the others.

Mr. Reid.—Yes.

President.—What do you exactly mean by that?

Mr. Reid.—What I mean is this: that the competition in white mulls is now being severely felt in very much the same way as the competition was, say, in grey dhoties. I don't think the Indian mills paid much attention to white mulls until comparatively recently. They are now doing it and from our experience very successfully too. This business attracted the notice of the mills and a great many qualities are now being made whereas previously there were very few Indian qualities.

President.—I assume that is a natural evolution that is taking place in the Indian mill industry. They are turning over from coarser counts to finer counts and now you are beginning to feel the effect in that particular connection. Is that what you mean?

Mr. Reid.—Yes. I am not sure it is right to say in all cases it is finer cloth. Some cloth is coarser, but it can be used for the same dyeing and printing purposes for which United Kingdom white mulls are always used.

President.—Somewhere in your representation you make a reference to the fact that the coarseness of the counts rather than the fineness is the trouble as regards some cloths. You say: "It was hoped that the superior finish of the Lancashire production would give an attraction, but it will be seen that Ind. 12 has an adequate finish itself. It has better body, a thicker feel, and would be much more expensive for Lancashire to make owing to the heavier yarns." Will you please explain these two sentences?

Mr. Reid.—White mulls are used for a variety of purposes and some of them require cloth with rather more body in it than others for certain forms of printing and dyeing. We shall, I suppose, hear evidence about the Handloom industry. The other subsidiary industries such as the processing of goods imported from the United Kingdom are very important. For those goods originally a particular kind of finish was required to facilitate the operations. There are particular instances in which cloths with more body have, in some circumstances, proved more suitable and this particular instance is a case in point. The most important point we wish to bring out

is the finish of the Indian article which has been produced so well and apparently at such a cheap price.

President.—The finish of the Indian article may not be quite as superior as the Lancashire article, but it serves the purpose.

Mr. Reid.—Generally it has been improved.

President.—It is rather an interesting point that you make here where you say: "From our experience the wholesale dealer has a satisfying margin in Indian mill goods so that he can adjust his prices to be suitably below United Kingdom goods. On the other hand, the dealer in United Kingdom goods has to work on the barest possible margin to do any business at all". Would you tell us a little more about that?

Mr. Reid.—It is my daily experience and has been certainly so, for the past 5 years, since the duties came into force in 1931 from our intimate knowledge of dealers' affairs that their margins on British piecegoods have been very small. We have known a number of them going into liquidation. We have known their losses and we have been closely in touch. I am not here to bring forward their Annual Reports, their Income-tax Returns to show what they have done, but I know from my own knowledge that they have worked on extremely narrow margins. As against that, I am constantly being impressed with the improved conditions of many dealers who deal in Indian piecegoods. If in Madras you had gone to "Godown Street" you would have seen for yourself the improving prosperity of those very dealers of Indian mill made goods.

President.—It is nice to hear that somebody is flourishing in the Piecegoods Industry though the Bombay Millowners in particular and the Ahmedabad ones too definitely say that most of the bulk lines that have been produced in the Bombay mills are at present being sold at prices well below the fair selling prices. You, on the other hand, are telling us that you are selling at a very very bare margin or according to what I see here in the samples at a loss. How is it that both can carry on, the mills, on the one hand, selling at a loss and you, on the other hand, selling also at a loss.

Mr. Reid.—I take it that if the mills say that they are selling at a loss, it must be so. That being the case, I can only say that we are holding on from year to year to these very old established businesses for sentimental reasons which are very great and for other reasons. We hope that some day we shall be able to revive it and that the few firms which keep on doing piecegoods business will somehow reap some benefit from their lean years and be able to wipe off the arrears. We are just holding on in the hope that we would see better times and presumably if the mills' case is as you have stated, they are doing the same thing.

President.—It is very interesting. You have been good enough to favour us with a lot of samples. My colleagues will have to ask some questions on the subject of samples. Have you had an opportunity of seeing the range of samples that we have in our office received from other Chambers, from the Lancashire Delegation and the mills?

Mr. Reid.—No.

President.—How long are you going to be here in Bombay?

Mr. Reid.—I should like to leave to-night or to-morrow at 1-50.

President.—Could you in the time at your disposal—we will give you facilities to do it—go through the samples and give us a note, as far as you can, broadly, what samples you think are similar? You have been dealing with your own particular samples, but there is a wide range here and you may find some relation. We would appreciate it very much if you could find time to go through those ranges of samples and tell us whether these samples are sufficiently similar for our purpose.

Mr. Reid.—Certainly.

Mr. Rahimtulla.—I had better take the question of sample first in order to find out the duties before I deal with one or two general questions that

have been raised in the first five or six questions. May I draw your attention to Sample No. I. We have obtained criticisms from the Millowners' Association of Bombay with regard to the comparative qualities of the two samples and with regard to the prices and even in that respect, there is a difference with regard to reed, pick, warp and weft and therefore I would like to ask you a few questions in that connection. What exactly do you mean by their landed price first of all?

Mr. Reid.—The c.i.f. price converted into rupees *plus* landing charges and port dues.

Mr. Rahimtoola.—What is the percentage of landing charge that you add to the c.i.f.?

Mr. Reid.—2 per cent.

Mr. Rahimtoola.—Would you be able to give us the c.i.f. prices instead of giving these prices?

Mr. Reid.—I could do that, but I haven't got them here.

Mr. Rahimtoola.—Would you be able to send them? It is true that in question 5 (a) we asked you to give us landed prices. But we have put an N. B. to question 5 (a) in which we said that we prefer to have the following charges shown separately namely imported c.i.f. prices *plus* landing charges, port dues. The exchange has been taken at 1/6 throughout.

Mr. Reid.—Yes.

Mr. Rahimtoola.—I should like to get the actual c.i.f. prices please. Give me the most recent prices.

Mr. Reid.—I shall send you the information after reaching Madras.

Mr. Rahimtoola.—This 2 per cent. includes harbour charges?

Mr. Reid.—Yes.

Mr. Rahimtoola.—Take the question of the addition of this 5 per cent. which you have added over the c.i.f. price *plus* duty. This is according to you the wholesale price.

Mr. Reid.—We have taken the figure as being the simple way of expressing the wholesale price and the easiest possible way in which we could arrive at the wholesale price at which we could sell. The incidence of that is not what it seems.

Mr. Rahimtoola.—There is some difference in the prices given to us by the Bengal Chamber of Commerce and yourself and therefore I want to know exactly where the difference lies. Dealers' commission, what is meant by that?

Mr. Reid.—Goods in the Madras market are sold usually on these terms : 1½ per cent. *plus* 30 days. If they take immediate delivery, they are given interest for 30 days at 6 per cent. per annum. It is ½ per cent., therefore 1½ per cent. *plus* ½ per cent. or 2½ per cent. If they take immediate delivery, they get a discount of 2½ per cent.

Mr. Rahimtoola.—But you calculate at the rate of 6 per cent.

Mr. Reid.—That is the interest rebate rate.

Mr. Rahimtoola.—Interest on duty *plus* landing charges?

Mr. Reid.—We have not taken that into consideration in this. Actually we work out our charges in a far more complicated manner than this.

Mr. Rahimtoola.—I only want you to give me the details of this heading because I would like to compare with the figures given by others under similar heads. In both cases, I find that the total addition is the same, *viz.*, 5 per cent. I am interested to know how you divide your charges. Yesterday I asked the representatives of the Bengal Chamber of Commerce what the percentage addition was and they said 5 per cent. I find that your figure also works out to 5 per cent. Therefore I want to know the details. They are charging interest on duty and landing charges for three months at 4 per cent.

Mr. Reid.—We have included all those items in the $\frac{1}{2}$ per cent. Financing and $\frac{1}{2}$ per cent. Other charges. We group them under these heads for the sake of facility.

Mr. Rahimtoola.—Will you tell me which of these charges are included?

Mr. Reid.—It would be very difficult to allocate every one exactly under these heads.

Mr. Rahimtoola.—You need not allocate it, but you may tell me just which of these items you have included. Let us take the first item which is called handling and delivery charges. Is that included?

Mr. Reid.—The importing firm has to pay that. Therefore it must be included.

Mr. Rahimtoola.—In the 5 per cent?

Mr. Reid.—Yes.

Mr. Rahimtoola.—Then you charge 6 per cent. on what?

Mr. Reid.—We don't.

Mr. Rahimtoola.—You said just now that you charge 6 per cent.

Mr. Reid.—The period of grace is 30 days and we give 6 per cent. rebate on that.

Mr. Rahimtoola.—If they clear the goods before that?

Mr. Reid.—If they take delivery immediately they get $\frac{1}{2}$ per cent. discount.

Mr. Rahimtoola.—If they clear them after 30 days?

Mr. Reid.—They will only get $1\frac{1}{2}$ per cent. discount. As regards the interest charge, it varies. Now I should say 3 per cent.

Mr. Rahimtoola.—There is no such delivery period as 90 days.

Mr. Reid.—No.

Mr. Rahimtoola.—Do you charge godown rent?

Mr. Reid.—We do not charge godown rent, but it ought to be included in our own costings.

Mr. Rahimtoola.—Does it come in your present calculations?

Mr. Reid.—Under other charges.

Mr. Rahimtoola.—What about fire insurance?

Mr. Reid.—It comes in again under other charges.

Mr. Rahimtoola.—The importer's profit is 1 per cent. and the guarantee broker gets $\frac{1}{2}$ per cent. Do you have any such items like that?

Mr. Reid.—Some firms have guarantee brokers and some not.

Mr. Rahimtoola.—What do they charge?

Mr. Reid.—I should have thought that it would be higher than the Calcutta figure—say 1 per cent. But I cannot tell you definitely.

Mr. Rahimtoola.—You have not included that.

Mr. Reid.—No.

Mr. Rahimtoola.—Your importer's commission of $1\frac{1}{2}$ per cent. is more than what is in vogue in Calcutta.

Mr. Reid.—That $1\frac{1}{2}$ per cent. importer's commission is put in by me to bring the figure up to 5 per cent. Actually it works out to .1 per cent.

Mr. Rahimtoola.—That gives a wrong impression to the Board.

Mr. Reid.—It does. It is impossible, without a long statement covering three pages, to explain how that is worked out.

Mr. Rahimtoola.—When you make a statement to us, we can only go by what is before us. Your statement shows that the importer is getting $1\frac{1}{2}$ per cent. profit.

Mr. Reid.—I am not in any sense exaggerating.

Mr. Rahimtoola.—I am not disputing any of your statements. I am only saying that unless we get an explanation of the kind that you are just giving us, it would not have given us a clear picture.

Mr. Reid.—I can tell you at once. If we take the landed price as 100, by adding on 30 per cent. we get 130. Now we give the dealer $2\frac{1}{4}$ per cent. discount on 130 which comes to 2.925. If you deduct the one from the other, you will get $(130.00 \text{ minus } 2.925) = 127.075$. Then comes the duty which is worked out like this: We take the market rate at 130. Take $2\frac{1}{4}$ per cent. off from that. That was confirmed by the Customs here. That leaves 126.75. Then we take off 20 per cent. from the market value to get at the invoice value. That leaves 101.40. On that 25 per cent. duty is calculated which comes to 25.350. If we deduct this duty from 127.075, we get 101.725. Finally, if we deduct the $\frac{1}{4}$ per cent. and $\frac{3}{4}$ per cent. for financing and other charges, it leaves a final figure of 100.100. In the above calculations we have not included anything for the importer's profit. Therefore the importer's profit is .1 per cent.

Mr. Rahimtoola.—I think it would require a good deal of time to digest that. I am glad that you have explained to the Board as to what it exactly means.

President.—This 5 per cent. has been added to cover all charges.

Mr. Reid.—Yes. It shows that we have been working on costs.

Mr. Rahimtoola.—With regard to the wholesale prices, do you supply them to the Customs authorities?

Mr. Reid.—In some cases we have; in other cases it has been too long ago to do so.

Mr. Rahimtoola.—How have you arrived at the wholesale prices which differ from your actual selling prices?

Mr. Reid.—The firms concerned have given us those prices.

Mr. Rahimtoola.—You have got them since 1931.

Mr. Reid.—Certainly. They are the accurate sale prices of those times taken from their contract books.

Mr. Rahimtoola.—I am not disputing the accuracy of these figures. I want to know the source from which the information has been obtained, because we have also obtained prices of similar qualities that are being sold in Madras. They have been given to us by the Millowners Association after having obtained them from the Collectors of Customs. I want to know whether your source of information is the same or different. That is the object in asking this question.

Mr. Reid.—The information was obtained from the firms concerned and from our own market reports published in the papers.

Mr. Rahimtoola.—Have you seen the Collectors of Customs' prices?

Mr. Reid.—I often see them.

Mr. Rahimtoola.—Do they tally?

Mr. Reid.—I have not checked them.

Mr. Rahimtoola.—I would like you to check them in some instances.

Mr. Reid.—I see no reason why they should be different.

Mr. Rahimtoola.—The reason why I am asking this question is this. Yesterday the Bengal Chamber's representatives said that they would differ from the figures of prices supplied by the Collector of Customs.

Mr. Reid.—It is quite possible that they may be different because the Collector of Customs depends on his specialists who go to the bazar and obtain the information.

President.—What the Bengal Chamber said was that it would depend upon the rise or fall in the market.

Mr. Rahimtoola.—This is what they actually say:—"The Committee wish to stress the unreliability for the present purposes of prices obtained from

the Bazar and Customs because in many cases although given in all good faith these prices do not represent the true selling price".

Mr. Reid.—They are quite right. Every Collector of Customs does his utmost to get at the correct prices. He can only depend upon his Appraiser who goes to the bazar and asks for prices. They may be correct or they may not be. If you go to the bazar to get the price, you may be told anything.

President.—The Collectors of Customs and their Appraisers are all practical men and they know what they are dealing about. The point we were discussing yesterday, if I remember right, was this. The importer has his own wholesale price at which he imports goods and sells. If the market is a rising or a falling market, as the case may be, it does not follow that the Customs prices would be the same as the importer's wholesale prices.

Mr. Reid.—I think that is right.

Mr. Rahimtoola.—Do you consider that the imported c.i.f. prices supplied by the Collectors of Customs would be fairly reliable prices?

Mr. Reid.—Yes, ordinarily.

Mr. Rahimtoola.—If they give imported c.i.f. prices of qualities that are coming in Madras, we may take them for the purposes of our calculations.

Mr. Reid.—Prices differ a good deal throughout the year. I would require notice. I do not know what they do in the Customs.

Mr. Rahimtoola.—You have given us prices at this port. Prices have a great bearing on the present enquiry, and it is necessary for us to obtain correct prices. If you could give us some idea about the c.i.f. prices which we have got from the Customs for the imported goods coming into India it would be helpful.

Mr. Reid.—As far as I can see, they ought to be correct.

President.—You say here 'the actual wholesale price'. What do you mean by actual wholesale price?

Mr. Reid.—The prices at which goods were sold wholesale in the Madras market or the bazar by the dealers.

President.—You have given us for particular years. Are they averaged out?

Mr. Reid.—They have been averaged out. That is what I understand from the various firms who gave us those details. If I might take an example in our main memorandum where my own firm is concerned, that quality (white mull) has been sold at a number of different prices. The only possible way of doing it is to take the average of the whole lot.

Mr. Rahimtoola.—What period have you taken? Is it an average for the whole year?

Mr. Reid.—Yes. up to date.

Mr. Rahimtoola.—Have you been able to obtain December prices?

Mr. Reid.—I mean up to the date when we sent this in, i.e., to the end of October. It may be that a number of transactions took place throughout the year or they may have taken place in one month or two months.

Mr. Rahimtoola.—You have given us prices for 1935. Do I understand that all these qualities are at present coming in Madras? I am now confining myself to your 25 samples. Barring those cases, where you have specifically mentioned, I take it that the prices that you have given us are all for the goods which are at present coming into your market.

Mr. Reid.—Yes. But I cannot be certain in other cases.

Mr. Rahimtoola.—There are one or two qualities which you have specified. May I take it that those qualities which have not been specified are still coming in?

Mr. Reid.—I cannot say that they are coming in still. They of course came in in 1935 at some time or another. But I cannot possibly say that all the firms are still continuing to import. They of course imported those qualities some time in 1935.

Mr. Rahimtoola.—And these prices in all cases are not averages.

Mr. Reid.—If there is one, the average is the same as the one price. If there are two, it is the average of both.

Mr. Rahimtoola.—I should like to know the dates of the last importation of these qualities.

Mr. Reid.—I cannot possibly give the information without reference to all the firms concerned.

Mr. Rahimtoola.—Shall I take it between January and March 1935?

Mr. Reid.—It might be later. We had a very short time to prepare this. I don't think they can have arrived later than September.

Mr. Rahimtoola.—With regard to Indian prices, what is the source of your information?

Mr. Reid.—Actually goods purchased in the bazar or quotations obtained from the bazar.

Mr. Rahimtoola.—Are they from the persons who deal in Indian goods?

Mr. Reid.—Yes.

Mr. Rahimtoola.—That means from the selling agents of those mills.

Mr. Reid.—They were obtained by our agents.

Mr. Rahimtoola.—From whom? Certain prices have been found to be not accurate.

Mr. Reid.—They were obtained from the people who sell the goods.

Mr. Rahimtoola.—They are the people who sell these goods.

Mr. Reid.—Certainly.

Mr. Rahimtoola.—Are they quotations or actual transactions?

Mr. Reid.—In some cases quotations and in some other cases actual transactions.

Mr. Rahimtoola.—You have given us the reed and pick and the warp and weft of Indian samples. Were they actually tested by you?

Mr. Reid.—Analysed by us. Here I should like to say that it was done in a very short time to the best of our ability.

Mr. Rahimtoola.—Does this remark apply to both Indian and United Kingdom samples?

Mr. Reid.—I can say the information is accurate in regard to the samples furnished by my own firm because we know the details.

Mr. Rahimtoola.—I may tell you what qualities, according to the Bombay Millowners, are not comparable. Take for instance example 12. The criticism they make is that they cannot express any opinion in the case of the cloth because it is not comparable.

Mr. Reid.—You mean United Kingdom 12.

Mr. Rahimtoola.—Yes. The United Kingdom quality is grey and the Indian quality is hand bleached.

Mr. Reid.—As I expressed before, the United Kingdom business was in grey and bleached dhoties. In everything from grey to bleached inclusive our business has either gone or nearly gone.

Mr. Rahimtoola.—I would rather like you to confine yourself to the criticism made by the Millowners. Whether you are able to do business or not as a result of the duties, I will take that point up a little later.

Mr. Reid.—What I said now related to that. In the last line we say that no purchases have been made in 1935. We neither purchased nor sold all the way through. We found it impossible to obtain any really comparable qualities. Therefore we say this is what we used to make. We can't put anything against this. This is what we used to import. They have gone. I suggest the same remarks as No. 10 "No comparable Indian mill sample available in grey".

Mr. Rahimtoola.—Take sample No. 7—Textile Mill, Ahmedabad.

Mr. Reid.—We did not attempt to compare them otherwise we should have reduced or increased the price according to the reed and pick or warp and weft.

Mr. Rahimtoola.—In the remarks you have made about United Kingdom 13 and United Kingdom 14, do I understand that there is no Indian qualities that can compete with these qualities?

Mr. Reid.—None, because as I say it is now impossible to compete.

Mr. Rahimtoola.—You say Indian mill grey dhoties and sarries are mostly of a lower type. Is that indirect competition?

Mr. Reid.—What is indirect competition?

Mr. Rahimtoola.—It is for the trade to tell us.

Mr. Reid.—In our memorandum we have tried to be very clear and explicit, and go down to the first principle in every case.

Mr. Rahimtoola.—But the Board has to examine the question whether there is direct or indirect competition. What I understand from the trade by indirect competition is substitution, that is to say, prices may be such that one quality may be substituted for another. Therefore I want to know, when you say that the Indian quality is of a lower type and that you were doing this business formerly and now find it impossible to do any business, whether there has been substitution?

Mr. Reid.—If we tried to produce the Indian article we can't beat them in price and if they tried to produce our quality they have not reached the skill in manufacturing at present.

Mr. Rahimtoola.—Do I understand that the general practice in competition is to produce the same quality of goods and match them?

Mr. Reid.—We always have alternative qualities. I think it is quite likely in this case, if the market were left to itself, we might have produced that quality now but fashions may have altered, anything may have altered and therefore it is impossible to compare the altered result now of fashion and other things with what they took before.

Mr. Rahimtoola.—When you alter from one style to another that is because of competition of that style with the Indian article?

Mr. Reid.—Sometimes and sometimes not.

Mr. Rahimtoola.—When you alter the style you try to match it with the Indian quality?

Mr. Reid.—We are always trying to produce new qualities which may attract the public more. If we can't compete in any possible alternative qualities I think it can be said to be knocked out by direct competition.

Mr. Rahimtoola.—It is not always that the qualities are the same?

Mr. Reid.—No.

Mr. Rahimtoola.—There was one point raised by the President to which I think your reply was that you recognised that the mills are not making money.

Mr. Reid.—I don't say that we recognise.

Mr. Rahimtoola.—Well, let me ask you first how is it possible for the dealers of Indian cloth to be in a prosperous condition in Madras. Are they getting very much better prices than the mills are able to obtain?

Mr. Reid.—They are getting a better margin than persons who are dealing in British goods.

Mr. Rahimtoola.—There are standard prices of Indian mills which you yourself have been able to obtain from the market. If they are realised prices then the money goes to the millowners. I don't know, how they can said to be prosperous unless they are getting prices over and above those fixed by the mills as selling prices?

Mr. Reid.—Presumably. We have no evidence of what the Indian mills sell at. It is inconceivable that the mills would give us any information about what they are selling at at a time when the Tariff Board is sitting.

Mr. Rahimtoola.—The realised prices can be obtained over a number of years in the same manner as you have been able to do for the United Kingdom goods for the last five years. It would be important for the Board to know whether the dealers of Indian cloth are realising a price for a cloth which is more than the selling price of the Indian mill.

Mr. Reid.—I can give you one example on 13th November. The discount was 2 plus 2 plus $\frac{1}{2}$ per cent., i.e., $4\frac{1}{2}$ per cent. Presumably it was intended to represent profit.

Mr. Rahimtoola.—How did you obtain this information?

Mr. Reid.—There is a letter here (shown but not handed in).

Mr. Rahimtoola.—What is the year?

Mr. Reid.—1935.

Mr. Rahimtoola.—This exactly tallies with the 5 per cent. which the importers get. When the dealer has got to buy from Bombay, Ahmedabad and Calcutta. . . .

Mr. Reid.—It is very largely free delivery.

Mr. Rahimtoola.—But he incurs godown charges and interest charges and therefore $4\frac{1}{2}$ per cent. is not commission in the sense as 5 per cent. is not the commission to the importer.

Mr. Reid.—The seller of British piecegoods and the seller of Indian piecegoods have the same costs exactly over and above anything else.

Mr. Rahimtoola.—How do you know that this commission does not include some of the costs which the cloth dealer has to incur in getting his goods?

Mr. Reid.—I should think that would be very small, about $\frac{1}{2}$ per cent.

Mr. Rahimtoola.—You can only say from guess.

Mr. Reid.—I know what it costs me in my godown in Madras.

Mr. Rahimtoola.—What about the addition of 5 per cent. which you think is reasonable?

Mr. Reid.—That is only connected with importing goods to Madras.

Mr. Rahimtoola.—My opinion is that you have not been in close touch with dealers of Indian cloth so as to be able to make a statement that $4\frac{1}{2}$ per cent. is his profit. The dealer's commission is calculated at $2\frac{1}{2}$ per cent.?

Mr. Reid.—Dealer's commission can be taken as $2\frac{1}{2}$ per cent.

Mr. Rahimtoola.—Irrespective of all other charges?

Mr. Reid.—Yes.

Mr. Rahimtoola.—With regard to what the President asked you about the quality of Indian mill goods, you think they are not easily comparable with the United Kingdom goods?

Mr. Reid.—Sometimes they are and sometimes they are not.

Mr. Rahimtoola.—But there are some qualities which are comparable?

Mr. Reid.—Yes.

Mr. Rahimtoola.—So that when you say "the consumer has to content himself with Indian mill qualities which, though cheaper, are poor value for the price exacted" it is merely a general statement?

Mr. Reid.—That is so. I think the mill quality is steadily improving.

Mr. Rahimtoola.—There are some qualities at present which can stand comparison with United Kingdom cloth?

Mr. Reid.—I should think so. I think we have one or two examples. I should say that statement is becoming true with 90 per cent. of the sales of the Indian new productions which come into direct competition with United Kingdom goods.

Mr. Rahimtoola.—What are they? Mulls and nainsooks?

Mr. Reid.—We have given a list of that.

Mr. Rahimtoola.—That does not give me the idea you wish to convey. Should I understand that in all these styles India is not capable of producing any comparable goods?

Mr. Reid.—When you say comparable, they are not comparable in reed and pick or in yarn generally, but they suit the purpose, or taking the price into consideration, they are booked for the same purpose as these imported goods.

Mr. Rahimtoola.—I am talking of the styles which according to you comes to 90 per cent. of the Indian production.

Mr. Reid.—I have not been able to see everything produced by every mill: I can only say that may be 10 per cent. of the goods now produced in Indian mills in competition with British prices are getting near to being comparable.

Mr. Mudaliar.—I would just like to draw your attention to the question of dealer's commission. You say "In considering the samples of United Kingdom and Indian Mill qualities there are some important considerations. From our experience the wholesale dealer has a satisfying margin in Indian Mill goods so that he can adjust his prices to be suitably below United Kingdom goods" and that the United Kingdom dealer has not got a satisfactory market, and has to work on the barest possible margin, and you suggest the example of $4\frac{1}{2}$ per cent. in the case of the dealer of Indian goods as against the percentage that the dealer of United Kingdom goods has got. Remembering that the millowners say that they are selling below the fair selling price and that there is a great deal of internal competition, can I understand the difference to mean that the millowners are reducing their margin of profit to the barest limit owing to internal competition and putting it on to the dealer so that he may have an incentive to put the goods on the market.

Mr. Reid.—I should certainly think so.

Mr. Mudaliar.—In that case the dealer's margin of profit does not prove that the mills are making profit?

Mr. Reid.—I think my statement is that the seller of the goods is making profit.

Mr. Mudaliar.—Therefore that will have no bearing when we compare the two samples of United Kingdom and Indian goods?

Mr. Reid.—No.

Mr. Mudaliar.—With reference to the particular samples you have put in, you have made very interesting arithmetical calculations. I do not want to go into technicalities more than I can help. You have compared different kinds of goods and reed and pick and counts and you have worked out the prices of Indian and United Kingdom cloths as the case may be if the reed and pick are identical. What experience have you got in assessing on that basis?

Mr. Reid.—Considerable experience. As I stated previously, in altering the styles to meet varying conditions of demand we know the full details of the cloth concerned. There is a simple rule by which you can calculate it. It can be found in any book on textiles.

Mr. Mudaliar.—Let us take an example. Take United Kingdom sample No. 4 and Indian sample 12— 60×56 and 62×52 . So far as dimensions are concerned that is an easy way of equating?

Mr. Reid.—Yes. You take it off in proportion. But it is very near.

Mr. Mudaliar.—But even there supposing the width of a cloth is 28" if it is 20 yards it will be one price and if it is 56" by 20 yards would you say that the cost will be double if it is double width?

Mr. Reid.—No.

Mr. Mudaliar.—What would be the margin of difference in width taking dimensions into consideration?

Mr. Reid.—2 or 3". Unless you go over the margin between one width loom and another loom. There are a lot of adjustments. Generally you take the difference of 3 or 4". There is no general rule. The basic cost of the cloth includes a number of factors; for instance selvage is an expensive item. There are many other things about the make up of a cloth which goes to make the initial cost.

President.—So far as selvage is concerned it is there.

Mr. Reid.—You don't reduce the cost of selvage in proportion, but as a rough rule you can take it in proportion.

Mr. Mudaliar.—Would I be right in putting it this way: if the loom is the same on which the cloth is produced, then the width does not very much matter?

Mr. Reid.—I would not go so far as that. I should say the cost works fairly nearly in proportion to the width, near an inch or two. But it depends whether you go up or down. I think really it is a question you must ask one of the millowners.

Mr. Mudaliar.—As you have worked it out here, I thought you would be able to assist us.

Mr. Reid.—I am trying to make it simple. I am an importer and I have a fair knowledge.

Mr. Mudaliar.—Coming to counts, what do you do to equate?

Mr. Reid.—I have not tried to do it, not the counts, but the reed and pick.

Mr. Mudaliar.—Reed and pick.

Mr. Reid.—We costed each cloth and took the difference. I would give the Board a rough rule and it is this: if you add the reed and pick together in the one case and the reed and pick in the other and take the difference and work in proportion, it will come out somewhere near the other price. You must always remember that after the initial cost, it costs more to add an extra pick than an extra reed.

Mr. Mudaliar.—Your quality is 38s/46s and the comparable Indian quality is 42s/42s both ways. Am I to understand that you consider these two counts taken on the whole make very little difference in the calculation of prices?

Mr. Reid.—My experience in Lancashire is that there are occasions when 40s are cheaper than 44s. There are cases where 44s are cheaper than 40s. 38s/46s would not be very very far from 42s/42s. I think it is a reasonable assumption to take.

Mr. Mudaliar.—That is why you have left the counts alone.

Mr. Reid.—Yes.

Mr. Mudaliar.—Taking reeds and picks, in the one case it is 74×64 and in the other 72×64 . Totalling them up, in the one case it comes to 138 and in the other 136, a difference of 2. What you have done if you have reduced the reed in United Kingdom sample.

Mr. Reid.—Yes.

Mr. Mudaliar.—That is to say you reduced it by 2 in the warp.

Mr. Reid.—Yes.

Mr. Mudaliar.—And you arrived at the price of United Kingdom goods which is practically identical in physical texture to the Indian sample and you have given the price.

Mr. Reid.—Yes.

Mr. Mudaliar.—Do you think that is a fair way of arriving at the equated price?

Mr. Reid.—We did not do this by rough rule. We costed each cloth and took the proper differences to the best of our ability. How the Indian mills cost their cloth, I do not know. That is the best thing we could do. If there are mistakes, I am sorry. Probably there are mistakes.

Mr. Mudaliar.—Apart from the technical details, you have put these two samples as being in the opinion of the ordinary dealer fairly comparable goods. One can be substituted for the other if the price factor does not seriously come in the way. That is the reading of these examples.

Mr. Reid.—Yes.

President.—You make particular reference to the question of finish, sample 23. You say "This is another case of substitution of an inferior Indian made quality against United Kingdom quality. The United Kingdom has in the past done extensive business in White Nainsooks, their main feature being their finish. It is impossible to produce this finish in India but they have substituted a low quality mull such as Ind. 5 saleable at a very low price. Although the finish is desired the difference in price is so great that the buyer is forced to forgo the better article". Will you explain to us to what extent finish comes in when a buyer comes along to buy similar or as near as similar articles?

Mr. Reid.—The finish is mainly required to assist the operator in processing goods either for printing or for dyeing at a later stage. We the importers in Madras have been much concerned at the loss of this business of stiff white cloth. We asked why. We are told that it is price. We see what is being used. We have seen what was being used. There is a cloth which is not as suitable or as easy to operate. It is the example of the cloth they are now using instead of that. It may be indirect competition as Mr. Rahimtoola was saying. It is the price that has killed the trade in the other although it is much more suitable.

President.—That is where goods are imported to undergo processing in India. To what extent are imported goods in Madras used for processing, as you call it, for printing or for other purposes?

Mr. Reid.—They are fairly considerable.

President.—Could you give us any idea? Would you think it over and let us know?

Mr. Reid.—50 to 75 per cent. are dyed or printed in some way or other. On the West Coast good qualities of white mulls are worn. That is Malabar which is comparatively small in area compared to the rest of the Presidency, but in other places white is not worn as it used to be, but colours are required. One sees every colour. We can safely say that from 50 to 75 per cent. of the goods are processed in some way or other.

President.—Either dyed or printed?

Mr. Reid.—Or block printed. Those are the two things. Those are very big industries in the Madras Presidency.

President.—You have explained to me why I should desire to take a Lancashire article for printing like that, but if it is a question of dyeing, why should I want a superior finish?

Mr. Reid.—The cloth is not just soaked. It may be run through very quickly.

President.—Does it retain all that finish afterwards?

Mr. Reid.—To a certain extent. It is much more easy to work. That is why there is so much insistence on a particular finish for a certain process. That is why Indian mills do their utmost to give the finish. We find that the finish has improved.

President.—One more point is assuming that we leave the processing of goods for the moment, how will you give us an idea of the difference we will have to allow for Lancashire finish as against the ordinary finish of the average mill out here for ordinary white goods, for ordinary goods, grey or white as the case may be?

Mr. Reid.—It is very difficult to answer that. I can see no reason why even in the course of the next year or two the mills should not give as good a finish as the Lancashire mills.

President.—They have been trying to do it for so many years. Why do you say they should succeed in a year or two?

Mr. Reid.—I have seen goods of one or two mills which are really growing popular. I can see no reason why Indian mills should not become as efficient as any others in the world. The Madras mill operative is an excellent workman.

Mr. Mudaliar.—Just following up that line where processing is not done from the imported goods, what margin would you allow from the consumers' point of view? Would you allow any margin at all for the better finish of the United Kingdom article as compared with the Indian article?

Mr. Reid.—There must be a margin. I do not know what to put it at. If Rs. 3 is the price for an ordinary quality, for a better finish, it would be Rs. 3-1-0 or Rs. 3-1-6.

Mr. Mudaliar.—Haven't you made allowance for these things?

Mr. Reid.—There is indirect competition, in that they are getting used to operating other cloths. In general I find it extremely difficult to get comparable qualities and exact prices.

Mr. Rahimtoola.—You mean similarly produced?

Mr. Reid.—The ideal would be to have the same exact cloth produced by the Indian Mills and produced by Lancashire mills and then we will be able to equate prices.

Mr. Rahimtoola.—Why is it impossible?

Mr. Reid.—I think if we had known that there would be an enquiry by the Special Tariff Board, we might have taken the necessary steps to get cloths made in Lancashire and sell them. Certainly we should have done so if we knew that it was going to happen. I can give an actual example of grey shirting.

President.—You make a reference to a particular article that was specifically made to compete with the Indian article. You say: "After the loss of all the United Kingdom business in this style of heavier mull, the firm concerned introduced U. K. 4 in an attempt to compete with Ind. 12." I am glad that you have been able to produce this article. This is an instance where you deliberately attempted to bring out a comparable article and proceeded to sell against the Indian article.

Mr. Reid.—Yes.

President.—Have you many more cases like this?

Mr. Reid.—Yes. In this case we used finer yarns. We could not compete with 28s/34s. So we decided to use 42s/38s. We thought of bringing some good enough qualities to compete and the result is there. The costings of cloth when you get down below 40s are very difficult for Lancashire to get in. That is why we went in for the finer cloth.

Mr. Mudaliar.—You said you had some example.

Mr. Reid.—Yes of the cloth which would come up to the ideal of comparative quotations with no reference to or thought of the Tariff Board.

President.—Do tell us about that. This is particularly an interesting case of an attempt that has been made by a particular firm to compete with existing goods.

Mr. Reid.—Yes. Here it is.

President.—But seeing that it has only been developing while the Tariff Board is sitting, I doubt whether we could bring it in.

Mr. Reid.—It is a very good example which would indicate that duties are unnecessary.

Mr. Mudaliar.—In your answers to the questionnaire you give over a long range of years the imports of various kinds of goods and you say that practically every one has gone down except when you come to dyed goods and coloured prints where they have gone up steadily.

Mr. Reid.—Yes.

Mr. Mudaliar.—Could you explain that?

Mr. Reid.—The fashion among people in Madras, particularly women has been to go in for a better quality of upper cloths. They are the examples of a better quality of cloth coming in for better purposes for upper bodices. It is a new style and it is a new development.

President.—May it not be that these particular goods are no longer coming in to suit the process requirements, and that these people are purchasing, shall I call it, ready made coloured and dyed articles.

Mr. Reid.—It may be to a certain extent, but I cannot say that it is for the greater part. I think it is a new development.

Mr. Mudaliar.—That really forms 40 per cent. of your imports in Madras.

Mr. Reid.—Yes.

Mr. Mudaliar.—Am I to understand that there is no competition with the Indian Mills?

Mr. Reid.—Very little. I think the Indian mills are just starting to do it. My impression is that they are at the present moment fully occupied with the manufacture of other goods. I cannot bring evidence of that.

President.—We have had evidence that the handloom manufacturers have great trouble in marketing their handwoven cloths. It seems to me that the imported articles would compete with the products of the handloom.

Mr. Reid.—No, not these. They are short widths. I don't think any of these would compare with the handloom products.

President.—No relation at all?

Mr. Reid.—No.

President.—I would like to ask you some questions about yarns. You have given us a very interesting statement with reference to yarns. Can you tell us to what extent yarns imported in Madras are used for handloom weaving purposes and to what extent by mills?

Mr. Reid.—Entirely for handlooms. Not one pound is used by mills.

President.—It is all for the handloom.

Mr. Reid.—Yes.

President.—It may be that there are mills importing yarns.

Mr. Reid.—We watch imports of every kind. It may be in an odd case. I think it is very unlikely that the mills import yarns for their use. I think we can say without hesitation that there is none imported of more than a packet for any other purpose than the handloom.

President.—We have had evidence from spinners in Madras that they find difficulty in competing with imported yarn. In Calcutta we were told that the great bulk of the yarns imported and dealt with in the market are rejects. The other mill spinners in Madras said that cop yarns and other yarns are coming in with which they are competing.

Mr. Ranganathan.—From my knowledge I can say that there is not a pound of yarn which is imported by mills.

President.—In Madras?

Mr. Ranganathan.—In Southern India.

Mr. Rahimtoola.—That will include all the Bangalore mills.

Mr. Ranganathan.—The returns of Bangalore do not go through the Madras ports. We are entirely guided by the port returns. It may be that some stuff is going through the Bombay port, but we have no information.

President.—For what purpose is Madurapatam cotton yarn used?

Mr. Ranganathan.—That is only the name of the ticket. The ticket is affixed on a number of counts. We use it mostly on bleached yarn.

President.—What about "Pencil" warp?

Mr. Ranganathan.—That is also for handlooms in Madras.

President.—What about Grey Egyptian warp 70s?

Mr. Ranganathan.—We may say generally that every pound of yarn imported through Madras goes to the handloom whether it is dyed yarn or bleached yarn, whether it is 70s, 80s or 100s.

President.—Could you give us the prices of these yarns over a period, because we are told by the mill spinners in Madras that these imported yarns are competing with them and unfairly competing with them? They have given us their costings which we will examine in due course for the yarns they are producing in competition with these imported yarns.

Mr. Ranganathan.—It will take a day or two. I just received intimation that my books have been sent up here. They give day to day summary of events. It is not a thing which has been prepared just now. It goes back to 2 or 3 years and it is my daily memorandum in which I enter all my quotations, purchases and sales. I can get you the figures from them.

President.—You will be staying here for some time.

Mr. Ranganathan.—I have to stay here till Thursday.

President.—Then we will have an opportunity of seeing these prices. We would like to get either from yourself or from Mr. Reid prices over a period of some months for particular imported yarns.

Mr. Ranganathan.—I think with these books we can go as far back as 1932.

President. That would suit us very well indeed. Are these yarns coming from the United Kingdom?

Mr. Ranganathan.—Yes the whole lot.

President.—You will be able to give us the imported prices then.

Mr. Ranganathan.—Certainly.

President.—We had a reference to mill profits in the statement of cases that came to us regarding yarns. It has been pointed out to us by the Millowners and others that these figures were not entirely reliable in so far as they included in some cases 18 months' profit instead of 12 months' profit and that they were rather misleading. Where did you get your figures from?

Mr. Ranganathan.—From the balance sheets of the various companies.

President.—Have you got copies available?

Mr. Ranganathan.—Yes.

Mr. Reid.—I could get them.

President.—You may put them in so that we may satisfy ourselves.

Mr. Ranganathan.—Yes.

Mr. Rahimtoola.—With regard to yarn, I find that the issue is a little complicated one owing to the Chinese and Japanese competition. I would like just to ask you about the duties that were in vogue and are in vogue in respect of yarn in order to clarify the issue. I would like to be corrected if I am wrong. As far as the duties are concerned, before May 1934, they were not differential. They were $1\frac{1}{4}$ annas per lb. or $6\frac{1}{4}$ per cent. on all classes of yarn irrespective of the country of origin.

Mr. Ranganathan.—Yes.

Mr. Rahimtoola.—When the differential duties came on, the specific duty was removed on counts above 50s again irrespective of the country of origin.

Mr. Ranganathan.—Yes.

Mr. Rahimtoola.—I find from the figures supplied to us of imports of various counts that when the specific duty of 1 anna 6 pies per lb. was in force in 1927 the imports had gone up.

Mr. Ranganathan.—During what period?

Mr. Rahimtoola.—I am referring to the year 1927. If you look at the figures from 1927 to 1933, when the differential duties came into vogue, the United Kingdom had made progress.

Mr. Ranganathan.—Are you referring to any particular count?

Mr. Rahimtoola.—I am referring to 80s. These are the figures:—

										Bales (of 250 lbs. each).
1927	.	.	.	.	.	.	.	.	.	849
1929	.	.	.	.	.	.	.	.	.	1,152
1933	.	.	.	.	.	.	.	.	.	1,061
1934	.	.	.	.	.	.	.	.	.	1,576

Do I understand that the imports have gone up because there is no competition?

Mr. Ranganathan.—Because styles have changed and the weavers now prefer to go in for fine yarns. It pays them to weave cloths out of fine yarns rather than coarse yarns.

Mr. Rahimtoola.—The effect of it was that the imports increased in 1929. Since when the handloom weavers have gone over to fine yarns?

Mr. Ranganathan.—We should not like to put it that way. Though 1,152 bales were imported in 1929, it does not mean that they were consumed in that year. Possibly some were carried to stocks in that year, and this is reflected in the imports of 1930 which are less than half of 1929 imports.

Mr. Rahimtoola.—Then, evidently the figures of consumption arrived at on the basis of imports would be entirely wrong.

Mr. Ranganathan.—To a certain extent they are wrong because you cannot always go by the year.

Mr. Rahimtoola.—They won't reflect the consumption per head?

Mr. Ranganathan.—Not in that particular year. You must always take a period of years—say 5 or 10 years.

President.—The figures show the trend. You cannot take a particular year and say that as so much had been imported, they must all have been consumed. Speaking of 80s, the imports are as follows:—

										Bales.
1928	.	.	.	.	.	.	.	.	.	736
1929	.	.	.	.	.	.	.	.	.	1,152
1930	.	.	.	.	.	.	.	.	.	531
1931	.	.	.	.	.	.	.	.	.	635
1932	.	.	.	.	.	.	.	.	.	1,291
1933	.	.	.	.	.	.	.	.	.	1,061

Mr. Ranganathan.—There is another factor to be taken into consideration in these figures. 1929 was a good year. That was the year in which there was some speculative buying.

President.—Why did the imports rise from 736 to 1,152 bales?

Mr. Ranganathan.—Because there was speculative buying. Everybody was carrying stocks in 1929.

President.—Why were they so optimistic?

Mr. Ranganathan.—There was a certain fillip given to the price.

Mr. Rahimtoola.—When did the depression start?

Mr. Ranganathan.—Later in 1929.

Mr. Rahimtoola.—In 1932 the imports had again gone up.

Mr. Ranganathan.—1930 and 1931 were bad years. The conditions were reflected in the revenues of the Government.

Mr. Rahimtoola.—In spite of the surcharge, the number of bales has gone up.

Mr. Ranganathan.—That is because 1930 and 1931 were very bad years and people had not the courage to buy any quantity.

President.—In other words, the imports were very low in 1930 and 1931. In view of the lowness of imports in successive years, it was only natural that in 1932 the imports should go up.

Mr. Reid.—Against that, exports of woven goods went up in those years.

Mr. Rahimtoola.—We have got figures for 1929, 1930 and 1931, but we are not able to get at the comparative figures. The fact remains that in spite of the surcharge, the imports have gone up.

Mr. Ranganathan.—That means we are replacing stocks.

Mr. Rahimtoola.—Or that the duty has not affected you.

Mr. Ranganathan.—You cannot say that. It is a matter of supply and demand.

Mr. Rahimtoola.—The imports have gone up by 50 per cent.

Mr. Ranganathan.—1930 and 1931 were not to be taken as normal years. The imports in those years were very low. If we took 40s in 1931

Mr. Rahimtoola.—I am coming to 40s. You say that it is the only count in which competition exists between India and the United Kingdom. Is that not your point of view?

Mr. Ranganathan.—We are practically totally out of the market in 40s.

Mr. Rahimtoola.—I am coming to that point. You say in your statement, "it will be seen that the United Kingdom has lost the business in 40s grey". Is that due to the Indian competition or the Japanese competition?

Mr. Ranganathan.—To a certain extent due to the Indian competition and to a certain extent to the Japanese competition.

Mr. Rahimtoola.—Are you able to distinguish the two? I am myself puzzled because it is difficult to distinguish between them especially in yarn. I think there is a very severe Japanese and Chinese competition.

Mr. Ranganathan.—The output of the Indian mills in 40s is also an indication.

Mr. Rahimtoola.—You mean the production has increased.

Mr. Ranganathan.—Yes.

Mr. Rahimtoola.—That may be due to protection. After all, the object of protection is that production must increase and the imports must come down if the protection is adequate.

Mr. Ranganathan.—Quite so.

Mr. Rahimtoola.—You have given us the prices of 40s grey yarn. The prices show a distinct increase. How do you explain that? In 1935, the price per bundle of 5 lbs. is Rs. 3-6-10 as against the price quoted in 1931. Does it not mean that it may be due to the price factor that you are not able to import goods?

Mr. Ranganathan.—It is an additional factor; the difference is actually 2 to 2½ annas. In some cases it is nearly 4 annas.

Mr. Rahimtoola.—This is a very big difference 6 and 6½ annas, from the 1933 price?

Mr. Ranganathan.—The price of cotton has also to be taken into consideration along with the spinner's price. We have not got the cotton prices here unfortunately. If cotton prices go up yarn prices will naturally go up.

Mr. Rahimtoola.—Cotton prices will affect both countries?

Mr. Ranganathan.—To a certain extent it will affect Manchester more because they are dependent more on American cotton. For 40s Indian mills can use Broach also.

Mr. Rahimtoola.—No. They can only use South Indian and Sind-American or Sind-Punjab.

Mr. Ranganathan.—I think in the report of Dr. Nazir Ahmed it is stated that they will be able to use Broach.

Mr. Rahimtoola.—In existing conditions I don't think they can take advantage of that. Experiments may have shown that they may be used later on but I don't think that is actually the case now. In the case of Southern India they say that they can produce up to 40s from Indian cotton which is available at their door, mostly South Indian cotton. You have given us the prices in answer to question 8 (b). These prices are for what qualities?

Mr. Ranganathan.—For 40s grey yarn.

Mr. Rahimtoola.—Here also I find prices have gone up since 1934. What are these prices for? This 2½ per cent. selling commission is given to the dealer?

Mr. Ranganathan.—The dealer gets 2½ and ½ per cent. is charges extra.

Mr. Rahimtoola.—In the piecegoods trade Mr. Reid, you recommend that a duty of 15 per cent. or 3 annas, per lb. for plain grey would afford sufficient protection whereas in the case of yarn you desire that the specific duty over 50s should be abolished altogether?

Mr. Reid.—I am not only asking for that. That is what is recommended by the Madras Chamber of Commerce.

Mr. Rahimtoola.—You have given us some information with regard to hosiery yarn. I want to get prices of this yarn. Can you help us?

Mr. Ranganathan.—Unfortunately we are not in the field except in sewings 2/28s which is a very small business now.

Mr. Rahimtoola.—U. K. does not import any hosiery yarns. What about reject yarns?

Mr. Ranganathan.—I think that is a term which is used rather loosely and an explanation is needed. Reject yarn covers both carded yarn and combed yarn. The difference in price between combed yarn and combed reject yarn may be 2d per lb. In the case of the Calcutta qualities the twist is different and what is called weft way. All these qualities are not used in Madras at all. Calcutta goes in for cheaper rejects and the business is not regular: it goes on and off. But in Madras it is different. It is a steady business that we have in fine yarns and not in reject yarns—a certain proportion may be reject or what is described as reject—most of the yarn we import is perfect yarn. If you take all the counts we import, 40s for instance, we do not import as grey except on occasions like 1932 when the Indian mills put up their prices and so made it possible for us to import yarn: that was because of the Sino-Japanese struggle when there was a lot of speculation going on in the market.

Mr. Rahimtoola.—But even in 1933 you will find 40s have gone up considerably?

Mr. Ranganathan.—That is the explanation, otherwise we are out of the market altogether. We have been out of the market for years and only 4 or 5 bales were imported during a month and that was only for specialities. What we show here is 40s bleached yarn; that is a regular business with us, but that too is dwindling year by year. Some firms sell as 40s reject and some as 40s perfect and the proportion of reject will be about 30 and 70 per cent. perfect.

Mr. Rahimtoola.—Do you wish to convey that India is not producing bleached yarn?

Mr. Ranganathan.—In Southern India not a bundle of bleached yarn is sent in by the mills. If you take the Bombay market and if it so happens that Bombay market has a few bundles of 40s bleached, naturally they will find their way into Madras sometime or other, but we have not seen a single bale so far.

Mr. Rahimtoola.—They might be going to the Calcutta market. The biggest market I was told for Madura yarns was Calcutta.

Mr. Ranganathan.—Not necessarily for bleached yarn.

Mr. Rahimtoola.—That is also a big market for Indian yarns?

Mr. Ranganathan.—I think business in bleached yarn 40s in Calcutta is very small.

Mr. Rahimtoola.—We inquired of them and they said that for perfect yarn they went to the Millowners Association.

Mr. Ranganathan.—It may be so in their case as regards the Calcutta market. With due deference to the people who represented the Bengal Chamber of Commerce, my own experience of Calcutta market is this that the yarn business there is such a small line that it is subsidiary and is left in charge of assistants and I do not think Calcutta people know much about imported yarn business and so what they say should not necessarily influence the Board in coming to conclusions about the yarn business.

Mr. Rahimtoola.—Is the statement not correct that the bulk of the quantity they import is reject yarn?

Mr. Ranganathan.—As I said, it all depends on the seller and how he describes it.

Mr. Rahimtoola.—Do they describe perfect yarn as reject yarn?

Mr. Ranganathan.—They might leave out the description altogether.

Mr. Rahimtoola.—But they go by the tickets?

Mr. Ranganathan.—And the tickets may be changed. There is nothing sacrosanct in a ticket.

Mr. Rahimtoola.—I am surprised to hear that. You have mentioned that you are catering entirely for the handloom market. The handloom trade is evidently a very big trade which exports goods to the region of rupees one crore in value. Which are the principal markets to which their products are sent?

Mr. Reid.—We have seen the recent returns. They are—

	Lakhs.
Rangoon	45
Straits including Federated Malaya States, Java, Sumatra, Borneo	17.5
Colombo, nearly	21
Aden—with which we have included all subsidiary ports	10.75

making a total of more than 94 lakhs. That is only kylies and Sarongs. In addition to that there is export business with West Africa which we do not include in this statement. The figures include also those for the intermediary ports all of which are for goods in transit. The actual selling centres are French Guinea, Seirra Leone, Gold Coast, and Nigeria, the total of these being Rs. 13½ lakhs.

Mr. Rahimtoola.—Have you by any chance studied the prices the handloom weavers realise? Are they fairly remunerative prices?

Mr. Reid.—They are not.

Mr. Rahimtoola.—They meet with very great competition?

Mr. Reid.—Yes.

Mr. Rahimtoola.—With regard to your statement about the prosperity of the mills in Southern India, I suppose it is based on their declaration of dividends.

Mr. Ranganathan.—I take it they are.

Mr. Rahimtoola.—And they are declared on the paid up capital of the Company?

Mr. Ranganathan.—Yes.

Mr. Rahimtoola.—But if you take into consideration the gross block account of the mills you will find that the figures will dwindle down to a small amount. Take the Madura mills: it is not given in your list but I quote from the Indian Finance: In 1934 they declared 10 per cent. dividend. This was on their paid-up capital of Rs. 58,34,778 whereas their block was Rs. 2,56,84,000. So that it makes a very great difference if you look at the block account as against their paid-up capital.

President.—We need not take up our time on this as you have not mentioned this mill.

Mr. Rahimtoola.—But that is the biggest yarn mill in India.

Mr. Mudaliar.—I want to take up the statement of yours. 40s grey business you say nothing has been done in 1935, but when you go over to give the prices of 40s grey yarn you give the prices for the first nine months of 1935? Is that a quotation?

Mr. Ranganathan.—As I said, we buy our 40s grey and we know the first cost. We get it bleached in England and import it as bleached yarn; therefore whether we buy it for bleaching or as grey the price is going to be the same.

Mr. Mudaliar.—That is to say, you pay your price in two stages first to the grey yarn merchant and then pay bleaching charges separately. Therefore you are able to quote?

Mr. Ranganathan.—Yes.

Mr. Mudaliar.—Can you tell us what the bleaching charges are?

Mr. Ranganathan.—The cheapest will be 9d. per 5-lb. bundle and for the better class it is 12½d. per 5-lb. bundle. That is only for 40s.

Mr. Mudaliar.—That goes on according to the counts: in superior counts bleaching charges will be definitely more?

Mr. Ranganathan.—Yes.

Mr. Mudaliar.—Up to what count to your knowledge are produced by Indian mills for handloom purposes?

Mr. Ranganathan.—The Madura mills are producing 60s now. That is so far as they are concerned. But in Madras we have 80s as well and they are sent down south by Khatau Makanji and Edsu mills.

Mr. Mudaliar.—We were told that bleaching is also done in Madras?

Mr. Ranganathan.—Definitely no.

Mr. Mudaliar.—Does not the handloom weaver himself do it?

Mr. Ranganathan.—Yes.

Mr. Mudaliar.—So that it does not matter to him whether he gets it bleached or grey?

Mr. Ranganathan.—There are certain lines which are taken for certain kinds of trade. Yarn which is dhobi washed is not suitable for better class of goods.

Mr. Reid.—Colombo for instance won't take handbleached; they want imported quality.

Mr. Mudaliar.—Supposing up to 60s are normally the yarns which are produced by the Indian mills, up to what count should they be protected if they are not to have competition from the United Kingdom?

Mr. Ranganathan.—I look at it this way. If you take the total production of the mills it is 1,000 million lbs. whereas imported yarn is 34 million lbs. which is only 3·4 per cent. of the former. A certain part of it is mercerised and folded yarn which the Indian mills are trying to produce but which they are not likely to be able to produce at economic prices. Then there is a certain proportion of very fine yarn above 50s which they are not producing for the handloom weaver—they may produce for their own consumption at the mills—so it works out to a small proportion of the 3·4 per cent. of the imports. So if we take into consideration only that part which is left over after deducting the mercerised yarns and folded

yarns and take into consideration the protection they are getting for 97 per cent. of their production, why should they want anything more against that small percentage?

Mr. Mudaliar.—As regards the 97 per cent. they argue that so far as the yarn consumed in the weaving mills is concerned they should be left out of account because the market for yarn as such is the handloom weaver. Therefore, you should take into consideration only that quantity of yarn which is put on the market where both United Kingdom yarn and Indian mill made yarn go into competition that is the handloom weaving industry. There is no use taking 1,000 million lbs.; you have got to take the surplus production from the weaving mills and that the spinning mills; that comes, I understand, to about 300 million lbs.

Mr. Ranganathan.—They sell only a surplus out of the total production for which they are getting protection. Why should they get additional protection for the yarn which they find they cannot use in their own mills and which they must sell in any case? That is a moot-point.

Mr. Mudaliar.—At any rate you will agree that the spinners are entitled to protection.

Mr. Ranganathan.—To what extent?

Mr. Mudaliar.—That is the problem before us. The question I was really on is this: you know the handloom weaver and you know his requirements. From your knowledge of that could you tell me how far the process of substitution of higher count of yarn for the lower count of yarn could do? Taking any particular style of cloth, if the weaver finds that the price is more or less the same or the margin is narrow, would he use 80s in preference to 40s?

Mr. Ranganathan.—No.

Mr. Mudaliar.—Or would the texture be such that he would not go?

Mr. Ranganathan.—The variation would be little so far as the counts are concerned.

Mr. Mudaliar.—What would be the variation?

Mr. Ranganathan.—The variation would be from 50s to 60s, 60s to 70s, 70s to 80s and so on, but a man using 60s would not go to 100s, a man using 90s may go to 100s.

Mr. Mudaliar.—At the maximum the variation would not be more than 20 counts?

Mr. Ranganathan.—No.

President.—Speaking of 40s chiefly, the dividing line that we have, so far as the duty is concerned, is drawn at 50s. Why is the dividing line made 50s?

Mr. Ranganathan.—It is rather difficult to answer the question. Actually the importation of 50s is such a small quantity and probably it is an arbitrary method of fixing it. I cannot say more than that.

Mr. Reid.—It is midway between 40s and 60s.

President.—Can you tell us from your personal knowledge of the trade, supposing the specific duty is such that it affects the price of 40s, whether some people in Southern India will go on to 60s instead of 40s?

Mr. Ranganathan.—Even here there is a difference. It all depends on the particular market for which you are catering. 40s for instance, which you are referring to is the American bleached yarn. It goes to make a certain style of cloth. That cannot be substituted by 60s because the trade would not take the cloth.

President.—Why?

Mr. Ranganathan.—The trade only takes 40s.

Mr. Mudaliar.—Would the cloth be materially different if 60s were used instead of 40s?

Mr. Ranganathan.—Yes.

Mr. Mudaliar.—I understand that the kylies and sarongs are made of fine counts.

Mr. Ranganathan.—Some of them are.

Mr. Mudaliar.—How far do they go?

Mr. Ranganathan.—They go up to 100s.

Mr. Mudaliar.—So far as you know, are there any Indian mills supplying 100s to the handloom weaver?

Mr. Ranganathan.—Not in the south and not for that particular trade. We had of course a few old lots of 100s from Bombay coming into Madras, but that was sometime ago and there has been no repeat business.

Mr. Mudaliar.—So that if we want to equate prices you suggest that so far as the market conditions are concerned, there would be really no 100s which could really be compared with U. K. 100s.

Mr. Ranganathan.—No, not even 80s except when you go to the very cheap grade of yarn which is sold at a certain price.

President.—Are there 80s and 100s made and sold, or are 100s made for the mills' own requirements?

Mr. Ranganathan.—I have not seen many 80s made. In the south one lot received was supercarded, but it was not combed.

Mr. Mudaliar.—I will give you a list of typical yarns and I would like to have the landed prices of these if you can give. The President has already referred to some of these. 80s (1) Madurapatam and (2) 80s pencil warp.

Mr. Ranganathan.—There is no 80s pencil warp.

President.—I may tell you frankly about this. We have heard of more than one mill producing particular kinds of yarns from particular kinds of cotton and they say the cost of producing those yarns from these particular kinds of cotton is as follows: I am not going to tell you the costs. This is what they speak of the trade description of particular yarns and they are comparing their prices with the following:—The first is Madurapatam 80s.

Mr. Ranganathan.—That is bleached yarn.

President.—You tell us all about it. We do not know anything about it. The next one is pencil warp 80s.

Mr. Ranganathan.—There is no pencil warp 80s. It is a ticket used on 60s. It is five years since we imported it.

Mr. Mudaliar.—The others are Egyptian combed 80s. Grey American weft 80s, Grey Egyptian 70s, Grey Egyptian warp 60s, Egyptian carded perfects weft 60s, Grey American weft 60s, Grey Egyptian weft 60s, Grey Egyptian warp 52s. Will you also tell us the prices so far as you are aware of any competing yarns or as near as you can get?

Mr. Ranganathan.—I think it is very difficult to answer this question. I can understand Madurapatam is bleached yarn. Pencil warp should be 60s. 80s Egyptian combed may be anything. The price variation may be as much as a penny to two pence per lb.

President.—Why?

Mr. Ranganathan.—It depends upon the strength, on the twist and on the cotton used.

President.—You tell us what the difference would be if it was made out of Egyptian cotton.

Mr. Ranganathan.—Even if you give me the actual cotton from which it is made, it is not going to be helpful. I do not know the strength and I have not seen the yarn.

President.—You tell us all about that in your note.

Mr. Ranganathan.—Yes.

President.—Specially tell us the prices, as far as you can ascertain, of yarns that are being made in India for sale and are competing and which are in need of protection against these imported yarns. You give us full information.

Mr. Ranganathan.—Yes.

President.—Would you like to say anything else?

Mr. Ranganathan.—There is a short memorandum which Messrs. Beardsell and Company have submitted.

President.—We have that in front of us. Would you like to say anything in connection with that?

Mr. Ranganathan.—No. Not unless you wish to ask me questions on it.

Mr. Mudaliar.—You can answer one question. Take kylees and sarongs which are made of 80s. What is the exact effect of the 5 per cent. duty on those articles? To what extent will the price be reduced if the duty were to be taken away completely? I want to know how the handloom weaver will be affected. You can work it out and send it to us later on.

Mr. Ranganathan.—The price would be reduced by 3 annas per piece, 56" x 3½ yds.

Mr. Mudaliar.—The present price of the piece being how much?

Mr. Ranganathan.—Rs. 4/8.

Mr. Mudaliar.—Do you think that that would make much difference in regaining the export market?

Mr. Ranganathan.—Yes, and it would also enable him to get something more than he is getting by way of wages.

Mr. Mudaliar.—Would he turn out a single piece in the course of a day?

Mr. Reid.—Two pieces per week.

Mr. Mudaliar.—He would get 15 annas more during the week.

Mr. Reid.—Yes. He gets only Rs. 6 a month on the average in the shape of wages. These wages apply particularly to handkerchief weavers.

President.—There ought to be internal competition keeping down prices. Do you find that it is making prices of yarn very cheap for handloom weavers?

Mr. Ranganathan.—Sometimes. The real problem so far as the Indian mill yarns are concerned, especially in the South, is this. The mills or their agents drop their price suddenly. To-day they may consider that it is necessary to review the prices and the prices at once go down by four annas a bundle. In this manner a factor of uncertainty is introduced into this business. Similarly they might put up their prices by four or five annas in a day.

President.—We have heard about that. Is that not due to the competition of Japanese and Chinese yarns? They have to drop their prices when they find that the retailers or the wholesale merchants selling the Japanese and Chinese yarns are quoting very much lower prices.

Mr. Ranganathan.—It is a curious fact that when one mill puts its prices down, a number of mills put their prices up by four annas or so. Actually there is a difference in the selling prices of about 6 annas between one mill and another. One considers it proper to reduce the prices while the other mills put their prices up. You cannot reconcile the two.

President.—That is what you would call fluctuation.

Mr. Ranganathan.—The market does not fluctuate in the case of a mill.

President.—Can you give us a reason for that?

Mr. Ranganathan.—If I am not uncharitable, I may say it is the sitting of the Tariff Board.

Mr. Mudaliar.—You may be uncharitable?

Mr. Ranganathan.—I have made a few marginal comments on the Cotton Spinning Industry's representation, and I would like to show them to you.

President.—You may send them in later.

Mr. Ranganathan.—Yes.



सत्यमेव जयते

THE BOMBAY CHAMBER OF COMMERCE.

Evidence of Messrs. A. L. HUTSON, Chairman, A. G. SOTIRIADI, H. A. HENRY and H. ROYAL, Assistant Secretary, recorded at Bombay on Saturday, the 21st December, 1935.

President.—Mr. Hutson, I understand from the statement which you have been good enough to send us that you represent the special interests in the Bombay Chamber of Commerce.

Mr. Hutson.—That is so.

President.—You have been particular to differentiate.

Mr. Hutson.—Yes.

President.—As I understand it, I would like you to correct me, if I am wrong, you represent the Piecegoods Imports Section of the Chamber.

Mr. Hutson.—Yes.

President.—You don't represent the mill interests in any way?

Mr. Hutson.—No.

President.—Have you had any objections from any other Members of the Chamber to your representations in any way?

Mr. Hutson.—They have not been brought to my notice.

President.—What are your qualifications in coming before us to express your views? Are you all experienced in the Textile Industry?

Mr. Hutson.—Our experience is not so much on the manufacturing side as on the selling and handling of manufactured cloth.

President.—Would you be able to speak to us with the market knowledge of the various articles of cloth that come from the United Kingdom?

Mr. Hutson.—We think so.

President.—We have exchanged cases, that is to say, the cases received from you have been handed to others and the cases of other interested parties have been handed to you. You have already submitted to us notes on the subject. Apart from that, would you like to say anything that would elucidate your case or would probably modify or amplify it in any way? If so, we would be very pleased to hear it.

Mr. Hutson.—We should like to say at the outset that the Bombay Chamber of Commerce has always realised the importance of the Mill Industry to India and to Bombay in particular, and has never opposed its claim to a reasonable measure of protection. Its members, who are interested in importing cloth, have numerous other commercial activities, and have an important stake in the welfare of this City, which is admittedly closely bound up with the Mill Industry. In the difficult years that lie immediately behind us, when both the Millowners and ourselves were concerned chiefly with competition from a third source, there has been no small measure of co-operation between importing and mill interests, and certain protective duties which we believe the Millowners have found valuable—for example the 4 annas per square yard on artificial silk cloth—were originally proposed by this Chamber and accepted by Government on their recommendation. During the same period there was, we believe, at least a tacit admission in Millowning circles that Lancashire imports were, shall we say, the least damaging part of their competition, and that this part of the trade was conducted in a manner not unduly prejudicial to the smooth conduct of the Mill Industry.

It is, therefore, with considerable regret that we find ourselves taking up a position diametrically opposed to that of our manufacturing friends on the present issue, but we have examined the cases put forward by the

Millowners' Association and other bodies, and have found nothing in them to warrant any alteration of the views put forward in our original memorandum to the Board, namely that the following scale of duties would afford adequate protection to the Indian Mill Industry against imports from the United Kingdom:—

15 per cent. *ad valorem* on cotton piecegoods.

5 per cent. *ad valorem* on cotton yarns.

20 per cent. *ad valorem* on artificial silk goods and artificial silk mixtures.

The principal task now before the Tariff Board is that of determining a basis of comparison between imported and mill-made cloths and we propose to confine our remarks to certain considerations affecting this matter.

We see nothing in the terms of reference which can be interpreted as restricting the powers of the Board to decide on any system of duties, *ad valorem*, specific, or combined, which would enable the Board to fulfil its task of equating prices, always provided that the system adopted does not offend the settled principles governing the grant of protection.

An attempt has been made by the Millowners' Association to narrow down the field of enquiry on cotton piecegoods to the period subsequent to May, 1934, on the grounds that the duties were confirmed under the Indian Tariff (Textile Protection) Amendment Act at that time. This does not square with the literal and natural interpretation of the words "existing duties", as 25 per cent. has been the existing duty since April, 1931. Furthermore, such an interpretation is repugnant to the general sense of the Gazette Extraordinary of 10th September, 1935, under which the Special Tariff Board was appointed. The purpose of Government was patently to examine the effect of the 25 per cent. level of Customs duty on cotton cloth imported from the United Kingdom.

To ascertain the effect of any legislative or fiscal measure it is necessary to compare conditions prevailing before the measure was enforced with subsequent conditions. Indeed it is difficult to see how examination of the measure can proceed on any other system, and we have made our comparisons accordingly between normal years preceding 1931 and the years during which the 25 per cent. duty has been in force.

The matter is of some importance as large sections of the import trade have been virtually wiped out by the existing duties, and to exclude these sections from consideration would, in our opinion, be an act of manifest injustice.

Finally, it has been put forward as an argument in some quarters that the losses made by the Mill Industry are a proof that the existing measure of protection received against the United Kingdom imports is insufficient, or at any rate not excessive. We submit that it has not been proved that it is Lancashire competition which is responsible for these losses, and that in fact indications point quite the other way. During the years when the duty on Lancashire piecegoods was 11 per cent., and when Lancashire was the only or the principal competitor of the Indian Mill Industry, Indian mill profits were appreciably larger than they are to-day.

President.—In the remarks you have been good enough to make just now, I see that you lay emphasis on the necessity of giving the industry in India adequate protection.

Mr. Hutson.—Yes.

President.—I notice you have referred to it to-day in your case and again more than once in your letter dated the 20th November, 1935. There you say: "We have therefore confined our researches to establish a rate of *ad valorem* duty which will give adequate protection to the local industry while enabling Lancashire to retain the part of the trade which is specially adapted to handle".

Mr. Hutson.—That is so.

President.—Could you just broadly tell us the particular part of the trade that you have in view when you make that general observation?

Mr. Hutson.—There are sections of trade in which the Mill Industry has not extended itself or if it has extended itself has not been able to manufacture economically.

President.—Until such time as they do, you feel you should be able to compete on terms that would still be giving adequate protection to the mills. How do you expect the mills, assuming that we give adequate protection, to expand in the direction of finer goods in which you are engaged?

Mr. Hutson.—They are expanding in other directions.

President.—Is not that a natural evolution of the industry all over the world? As you know, our friends have started first manufacturing coarse yarns for the handlooms and then selling also a certain amount to Japan or China wherever it was and owing to forces of competition from outside they got on to weaving cloth. They are now manufacturing finer cloths. That is a natural evolution which must be recognised by all of us when we are considering these things.

Mr. Hutson.—I do not know, but we would agree with you.

President.—In your answers to the questionnaire you say: "From the point of view of increased revenue therefore these duties have been a conspicuous failure". Is not that a measure of success of protective duties?

Mr. Hutson.—We do not understand the word 'protection' in this way. Perhaps the Tariff Board and the Millowners take a different view of the words 'adequate protection' from the view we adopt. If adequate protection means excluding all opposition or competition, then of course its success or failure is in accordance with the measure by which competition is excluded. We don't agree to that.

President.—In other words your case is based on adequate protection, but not prohibition.

Mr. Hutson.—That is right.

President.—I am only referring to it because in your answer to the questionnaire you speak of the duties being a failure from the revenue point of view and that implies that the duties are a conspicuous success, if I may so put it, from the protective point of view.

Mr. Hutson.—From a prohibitive point of view. If I may elaborate that, we consider that it is desirable that a certain amount of competition should continue. I think it is desirable in every industry that protection should not be raised so high as to exclude all external competition and that is the danger we find in the understanding of protection or reading of protection as adopted by the Millowners and I think by the last Tariff Board, namely, the measure sufficient to wipe out all competition.

President.—I don't think that is in our terms of reference. All that we are asked to do really is to equate the prices of imported goods with fair selling prices of the goods manufactured in this country.

Mr. Hutson.—Quite.

President.—You give us a lot of statistics. I was wondering what your view is as regards the value of the statistics in this particular enquiry. In your letter dated the 9th December you make a reference about the mills' case and you say: "If world depression accounted for the decline, how has it come about that the increase in Indian mill production has more than made up the decline in Lancashire imports?" Is not this your point of view? The consumer has a limited amount of money to spend on cloths that he wishes to buy. You make, generally speaking, finer articles than others. He is naturally driven to buying, shall we say, not as good a stuff as you can import.

Mr. Hutson.—That may be so. It is not the natural interpretation of those figures. The buying capacity of India can be shown to have increased during that period.

President.—You mean the very fact that they have gone on buying mill goods as against the imported goods shows that there has been the capacity to buy.

Mr. Hutson.—Yes. We suggest that it is the duty that has made the goods too expensive.

President.—This point of political troubles has come up in our discussions apart from world depression. You say: "Political troubles accounted for the extra drop in imports in 1931-32, but the amount of political feeling in trade circles now is not appreciably different from what it was before the boycott". Do you think that the effect of the boycott is largely worn off.

Mr. Hutson.—I think so.

President.—And other things being equal you would be getting a bigger share of the business.

Mr. Hutson.—There was a swadeshi movement before 1929, i.e., in 1921. That wore off in due course. There was always a certain amount of effect of boycott, but there is no reason why the effect should be more of this particular boycott than was the case in the previous one.

President.—There is a certain amount of national feeling all over the world and you find that quotas, tariffs and various other agreements are being enforced in the case of every country with a view to developing one's own resources.

Mr. Hutson.—The consumer does not worry about them.

President.—All we have got to do is to equate the particular prices. You refer in that same letter to the mills' tables in their supplementary statement and you rather take an exception that the basis of comparison is unfair and we can see no reason why the actual prices should be compared with the theoretical prices of mill goods. You recognise that we have to take the actual prices of imported goods. The prices of imported goods have to be taken on the one side.

Mr. Hutson.—You mean the actual selling prices in India.

President.—The selling prices of imported goods.

Mr. Hutson.—They are both prices.

President.—I am talking of imported goods. Our terms of reference are to enable us to get at the prices of imported goods.

Mr. Hutson.—There is nothing in the terms of reference to indicate that the actual selling price of foreign manufactures should be equated with theoretical prices for Indian manufactures.

President.—What do they mean? What is the interpretation that you wish to put?

Mr. Hutson.—I suggest that we should compare the manufacturing price against the manufacturing price, selling price against selling price.

President.—Let us accept that for the moment. Can you an importer or anybody else tell us the Lancashire manufacturing prices?

Mr. Hutson.—No.

President.—That is practically ruled out. If we can't get that, what else shall we take from the importing point of view?

Mr. Hutson.—We can get the selling prices.

President.—On the question of selling prices, you want us to put in the word 'selling' before 'prices'. You have to import goods at a price. The mills are selling goods which are really comparable at a price. Goods come from China and Japan and if they drop their prices for comparable or fairly similar goods or goods that can be substituted, for the goods you are making on the one side and our Indian friends are making on the other side, what prices shall I have to take for comparison—the prices that you are forced to sell on account of the intervention of the third party? Please explain to me what you really have in view.

Mr. Hutson.—The prices do not drop in that way. If the mill, as a rule, cannot make profit, it ceases to sell goods, but the mill usually decides whether it will pay to lose less before it ceases to manufacture.

President.—I am coming to the selling side. I am really trying to arrive at the price of which you are talking. As regards your definition of this word 'price' you rather suggest that it should be the selling price.

Mr. Hutson.—Yes.

President.—Does that mean the market price? You may have been selling goods at a price. Assume for the moment that there is no trouble and we have equated that. It is presumably then that we get the intervention of the third party who is putting in a very substantial line of goods that is causing you both to drop the prices.

Mr. Hutson.—We should drop the bazaar price. We should not drop the price of further imported goods—the price at which the majority of the importing firms will take an order from a dealer and fulfil it in the Home market. If the Manchester price is Rs. 10 and the third party is selling at Rs. 9, business will not be done.

President.—You mean selling price is the price at which you import and are able to sell.

Mr. Hutson.—We have sold them in advance.

President.—It is not really the actual price. I am asking you all this because we have been told that we should take the selling prices that we find in the market.

Mr. Hutson.—We do suggest that the c.i.f.c.i. prices at which the importers sell should be compared with the actual prices at which the mills sell. That would probably be fairer than to take the bazaar prices in both instances.

President.—Coming to the mill side of the business, you rather take exception to the case they have put up in their supplementary memorandum. I like the way in which you divide the competitive classes of cloth in your letter dated the 9th December, 1935. Leave out the word competitive. Let us get on with the comparable or similar goods. You say—

“There are three classes into which competitive cloths fall:—

- (I) Goods previously imported from Lancashire but mostly or wholly captured by mills since 1930.
- (II) Goods now competing, i.e., being imported from Lancashire and also being made in Indian mills.
- (III) Goods at present imported from Lancashire, and not now being made in Indian mills.”

It is there you say that we should compare the actual prices. First of all, how do you get at the actual prices in No. I?

Mr. Hutson.—Extremely difficult. We admit that.

President.—I want to know your suggestion. How would you suggest that we should handle No. I?

Mr. Hutson.—I think the prices of grey shirtings can be obtained. For instance, my own firm imported goods for the Bombay market up to 1930. We have had business quotations from Manchester with no ulterior motive for the same goods since then.

President.—What would be the dates of the quotations?

Mr. Hutson.—Since 1930 down to the present date. I understand that you are objecting to getting present prices from Lancashire.

President.—That is a natural enough objection. If after knowing that the enquiry is sitting to-day, to-morrow or the next day, you proceed to make out a case with the best intentions in the world, we cannot help feeling a little suspicious.

Mr. Hutson.—We feel the same about the mill costings.

President.—We would apply the same kind of test there also. Coming to No. II, what is it that you want us to do?

Mr. Hutson.—I think that it is very difficult to obtain a satisfactory basis of comparison. I am assuming that the Board must have a basis. Therefore I do suggest that comparable qualities of goods should be found from both sides and the Mills' selling prices placed against the imported selling prices.

President.—I want you to advise the Board as to the line that we should adopt. Of course something must be found and we want just to get at your considered opinion. Having gone through all the cases, your own case and the other cases, in the light of what you have read and in the light of the attention and time you have devoted to the matter, what is your considered opinion? What do you think we ought to do to get at the comparison of prices?

Mr. Hutson.—I don't see that you could do anything except obtain comparable qualities from both sides. I also think that consideration should be given to certain other factors as well.

President.—On the question of comparable cloths, there was a general statement made that we could not get at identical goods and therefore it was difficult to get a comparison.

Mr. Hutson.—It is extremely difficult to get comparable samples and the danger is that these samples when you have obtained them may not represent the bulk of the trade on either side.

President.—We want your assistance in that. We would like you to give us an indication as to what amount of trade is involved in particular samples or particular lines?

Mr. Hutson.—We could do that but not off-hand.

President.—Having got the samples I just want to be clear with what prices we are going to compare. I have got an idea of your own goods.

Mr. Hutson.—As regards the other side, take the prices at which the mills sell.

President.—Assuming that we get at the mills' fair selling prices, there may be a third factor coming in—apart from Lancashire and the Indian mills. After all, you are not going to sit with folded hands if a third party tries to take away all your business. I am assuming that a third party is coming in and forcing you both to drop the prices. Must we take these lower prices?

Mr. Hutson.—I think on the whole you should take the selling prices rather than anything else. I admit that neither party's prices may be altogether satisfactory.

President.—I cannot accept your suggestion that we must go on selling prices. First of all, that is not my own interpretation. You have yourself complained that there are unfair selling prices. We must get at the fair selling prices. I have been in the textile business and I have been a seller. I know there are times in which you are forced to sell at prices much below the fair selling prices. I am really trying to get at your considered opinion—because you have more experience in this line—as to whether you are really right in suggesting that we must go largely by what you call selling prices.

Mr. Hutson.—You have taken the case where people have to sell below the fair selling price. You should also take the case where there is a large margin of profit. You will find plenty of samples produced and sold by mills which are making profits and paying dividends. The selling prices of those mills are reasonable prices.

President.—Can we take it this way? We have to find out to the best of our ability what the fair selling prices are. We might adopt our own method. But what do you think is the proper method of arriving at the fair selling prices? Do you think that the realised prices ought to be taken into account?

Mr. Hutson.—On both sides.

President.—You have been good enough to send us a lot of samples and you have also had an opportunity of seeing the samples sent in by various other interested parties. You have gone through all the samples.

Mr. Hutson.—We have not got the same facilities as the Millowners have to analyse these samples. Our analyses are much more superficial. We admit that. When we analyse a cloth, we do so from the point of view of sale value in the market. We assess really more on that point of view. We do not test the yarn for instance as accurately as the Millowners.

President.—On the one hand there are the mills manufacturing cloth. It is their business to know all the details connected with that. Up to what extent is it your business to know the construction of the cloth so as to be able to advise us generally as to whether it is comparable or not?

Mr. Hutson.—We are the people who do in the ordinary way decide in this market as to whether a cloth is a fair match against another. Whenever a dispute arises, as to whether a cloth can be compared to another, it is submitted to us.

President.—By whom?

Mr. Hutson.—By manufacturers in England, France and Japan.

President.—You are a sub-committee of the Piecegoods Committee of the Bombay Chamber of Commerce.

Mr. Hutson.—Yes.

President.—Speaking of imported goods, if goods were bought from any country from abroad, they are bought under some contract. Is that a particular contract or is there a general clause of arbitration in all contracts?

Mr. Hutson.—The majority of foreign contracts do contain an arbitration clause referring to the decision of the Bombay Chamber of Commerce. The Bombay Chamber of Commerce will appoint people who are considered experts in the line.

President.—There would be a supplier on one side and a buyer on the other side. Whenever there is any dispute between the two, it is referred to the arbitration of the Bombay Chamber of Commerce.

Mr. Hutson.—Yes.

President.—The Bombay Chamber of Commerce refers that dispute to whom?

Mr. Hutson.—To the arbitration of members who are considered experts.

President.—Would they refer it to you three?

Mr. Hutson.—We are all on the ordinary panel.

President.—Therefore we can accept your opinion as to whether a particular cloth can be compared with other cloths.

Mr. Hutson.—We should, I think, have difficulty in assessing the manufacturing differences between cloths or cloths made to slightly different specifications. When we are asked to arbitrate between two cloths which differ slightly, the measure of damages which we weigh is the measure of market damages or what difference it makes in the market, one against the other, and we are experts on that line. We can say with some accuracy that one cloth will fetch four annas less than the other.

Mr. Rahimtoola.—I think it is better if I were to discuss with you first your appendices. After all, they relate to an important part of the Board's work. You have been good enough to give us qualities of goods of the United Kingdom which compare with those of Indian Mills in your Appendix B. We have received criticisms on your memorandum from the Bombay Millowners' Association. I wonder whether you have seen that.

Mr. Hutson.—We have not seen that.

Mr. Rahimtoola.—What procedure did you adopt in order to collect these comparable qualities of goods?

Mr. Hutson.—When these were put in originally the idea was simply to put in something which could be sold in the market and which the consumer would buy. We did not go any closer than that. Subsequently we have been overhauling with a view to make them strictly more comparable.

Mr. Rahimtoola.—That means that we need not take these into consideration unless we get a revised statement giving us comparable qualities that are really competing.

Mr. Hutson.—They are all comparable from our point of view.

President.—You are sending us a further note on the subject.

Mr. Hutson.—If we are challenged on some of these qualities, we might be prepared to withdraw some of them as being not very close.

President.—We have had a complaint already which we have passed on as regards prices and comparability and you have favoured us with letters on the subject.

Mr. Hutson.—We had a note from the Millowners' Association as regards prices but not as regards the construction of the cloth.

Mr. Rahimtoola.—The point that I was making was this. The object with which you sent us a statement originally was simply to compare the goods. You just now told us that it was your intention to send us a revised statement which would give us more or less better comparisons than the one you have sent us.

Mr. Hutson.—I am sorry I did not really mean to imply that. All that I wanted to convey was this. Though certain qualities sell against one another, they are not very similar in reed, in pick and in yarn and they might be objected from the point of view of hard and fast comparisons of cloths. We do not know what system you are going to adopt.

President.—We ourselves do not know yet.

Mr. Rahimtoola.—On the question of adopting a system, the Board would feel most grateful if you could offer us some suggestion. The problem of equating prices is a most difficult one. For that very reason the Board had to trouble you and the others to supply us with cloths that are similar in all respects so that we might take them into consideration in arriving at an equation. To make my point clear I shall refer you to the statement which has been sent in to us by the Bombay Millowners' Association drawing our attention to the 10 different points which the Board must take into consideration before the comparison can be made between the Indian article and the United Kingdom goods. They say—

“In estimating the relative value of the Indian article the following considerations will have to be dealt with:—

Differences in the quality of cotton used

Differences in borders or designs,

Regularity of yarn,

Differences in dimensions,

Differences in the counts of warp and weft,

Differences in reed and pick,

Differences in the percentage of size or filling,

Differences in the quality and nature of the dyestuffs used,

Differences in bleaching,

Differences in finish, and

The added value which the Indian or the United Kingdom cloth commands by reason of its long standing in the market or by reason of its special make up, trade mark, heading, etc.”

Mr. Hutson.—I think the majority of these, if you are going to submit them for any exhaustive technical examination, would not be difficult to take into consideration, but certainly not the last item, namely the added value

owing to long standing or trade mark and so on. I think that would be quite impossible to determine: you will have extreme difficulty in gauging the value of a long established market or alternatively the additional value which the Indian cloth obtains owing to patriotic feeling on the part of the consumer.

Mr. Rahimtoola.—These comparisons are not given with a view to favour the Indian mill goods. The object, I understand, is to arrive at a correct equation. If the value of Indian goods is higher than the imported goods, then we raise the price of imported goods in order to equate and *vice versa*. If there is swadeshi feeling for which a particular brand is selling we should take that into consideration; if there is a famous trade mark in the case of any English goods, then the additional value should be taken into consideration. That is the object with which these points have been put forward. It is not that the Board has accepted this: my object in pointing this out to you is to get your opinion as importers.

Mr. Hutson.—Neither of these considerations are calculable.

Mr. Rahimtoola.—But there is a certain value attached to these.

Mr. Hutson.—There is a certain value attached to patriotism; a certain value attached to long standing market but it would be almost impossible to assess either.

Mr. Rahimtoola.—You think it is not possible to assess these though you admit that these are facts. Take for example item 11 "Added value which the Indian or United Kingdom cloth fetches by reason of its long standing in the market". That is a point, is it not? Though you admit that that makes some difference in price, you think it is impossible to value it in terms of money?

Mr. Hutson.—Yes. Most of the other points could be assessed by an assessor. But with reference to these you have to be a psychologist.

Mr. Rahimtoola.—Are you dealing only in imported goods or are you dealing in Indian mill made goods also?

Mr. Hutson.—We are principally interested in the import side.

Mr. Rahimtoola.—Then how are you able to obtain Indian prices?

Mr. Hutson.—The cloth markets are inter-connected. Our salesmen and brokers move in both the markets and it is their business to discover the prices of Indian cloths.

Mr. Rahimtoola.—How have you been able to get these prices?

Mr. Hutson.—The bazar price given by us is usually the price at which we have actually bought goods. In some cases we have made allowance for the difference between retail price and the wholesale price. The mill price is the price at which dealers or brokers have reported that they can buy such goods from the mill. In fact we admit that these prices are subject to correction and we hope that the actual mill selling prices will be confirmed by the mills. In the case of our own goods the facts can be verified. They are actual contract prices.

Mr. Rahimtoola.—We are trying to verify these prices.

Mr. Hutson.—Our prices of Indian mill goods are based on market quotations and we cannot swear to their accuracy.

Mr. Rahimtoola.—I would like to understand in little more detail about your statement. In certain qualities I have not been able to check the prices because months or years are not specified. Take the c.i.f. prices. You say in the case of No. 1 "No recent prices". What guide can the Board have for making a comparison? You give us a comparable quality but we are unable to get the Customs prices?

Mr. Hutson.—We have given you the bazar prices.

Mr. Rahimtoola.—For which month?

Mr. Hutson.—Our statement was amended.

President.—To what extent have you revised your own memorandum? We passed on to you some of the criticisms from the Millowners' Association

of the prices and qualities and you were good enough to reply to these and we shall be glad if you send it in officially to enable us to put it on record.

Mr. Hutson.—Yes we will.

President.—You will be able to give us a revised statement giving the prices and the months in which the prices were obtained?

Mr. Hutson.—Yes.

President.—You can supply a fresh statement and as far as possible I would like you to give me the average prices because others have given them. I drew the attention of the Bengal Chamber of Commerce to this aspect of the question: when you are giving the prices give us the actual c.i.f. prices with dates.

Mr. Hutson.—Yes.

President.—In some cases you have not given us the counts of yarn. I would like that, as far as possible, the whole statement as asked for by the Board may be filled up as we have asked in question 2 (c). In order to arrive at an equation in value we have got to discover these things and we cannot do so unless we get information on the points we have asked for in question 2 (c).

Mr. Hutson.—Would you like us to obtain counts of yarn in all the imported qualities?

President.—I understand when you are importing you get some information on these points.

Mr. Hutson.—In certain qualities we have given you the actual counts but we have not done so in a great many cases because we cannot determine the actual counts of yarn.

President.—As far as possible if you can give it, it will help us. If you can't, we have got to get it done by our technical expert.

Mr. Hutson.—It is very difficult.

President.—We have got a criticism from the Bombay Millowners' Association with regard to Appendix B in which they complain that certain things cannot be compared: that in certain things the prices are different, and in certain things the reed and pick differ. I would like you to give us an idea as far as possible. Another thing I would like to have with regard to this statement is that I would like you to make a differentiation between imported goods which are at present coming into the market and imported goods which have ceased to come into the market.

Mr. Hutson.—We can make that clear.

President.—Another point is, if they have ceased to come, give us the month on which they have ceased to come and supposing those are nominal quotations, say that no business is transacted.

Mr. Hutson.—Yes.

Mr. Rahimtoola.—I would now like to refer to your statement which deals with the Millowners' case as contained in their supplementary memorandum. You have criticised some of the items given by them as comparable qualities. You have pointed out that these qualities cannot be compared.

Mr. Hutson.—In some cases they may still be comparable.

Mr. Rahimtoola.—What exactly do you mean by K. M. B. 11 which you give in comparison to U. K. 42 and say it is not a standard quality; only a small quantity has been imported. I want to know in which month it has been imported and why it is not a standard quality. The Board has got a very difficult task and unless the trade comes to its help by giving exactly comparable qualities nothing can be done. If each of you, whether it is the Bombay Millowners' Association, or the Bengal Chamber of Commerce or the Lancashire Delegation or yourselves, go on criticising each other's statement, it becomes very difficult for us to find out something which we can compare.

Mr. Hutson.—I appreciate that. In regard to our standard qualities our contention is that if a small quantity has been imported or it has been imported only once it is perhaps an undesirable basis of comparison for both quality and price, as special consideration may attach to that particular style. On the other hand it is equally true that if the duty is excessive or prohibitive. . . .

Mr. Rahimtoola.—Small quantities have been imported?

Mr. Hutson.—These would be trial lots and therefore it would be an undesirable basis for cloth comparison. If a business is done at least three or four times then it would be satisfactory.

Mr. Rahimtoola.—That is your point of view?

Mr. Hutson.—Yes.

Mr. Rahimtoola.—You will be able to give us those qualities which according to you have been on the market more than once and have been sold, and are not trial lots?

Mr. Hutson.—Yes.

Mr. Rahimtoola.—On this question of the Kohinoor Mills, comparable U. K. quality, you say, is almost unknown and the firm are a leading Chinese firm of sugar importers.

Mr. Hutson.—This is a quality which does not seem particularly desirable to compare.

Mr. Rahimtoola.—Do I understand that these qualities are not coming into Bombay?

Mr. Hutson.—None of our brokers have ever heard of it.

Mr. Rahimtoola.—The U. K. quality is evidently a quality comparable with Bombay quality No. 3031, as given in their supplementary memorandum.

Mr. Hutson.—We are at the present moment trying to consider a better match.

Mr. Rahimtoola.—It is quite possible when you say in the statement that the quality is unknown in Bombay. It might not be coming through the Bombay port.

Mr. Sotiriadi.—Quite possible.

Mr. Rahimtoola.—They have evidently given us qualities coming into India.

Mr. Sotiriadi.—Yes.

Mr. Rahimtoola.—I want to ask you how the wholesale price in Bombay is arrived at.

Mr. Hutson.—All the prices that we have put in in our Appendix have been nett bazaar prices after deducting discount.

Mr. Rahimtoola.—I should like to make my point clear. We have received statements from the Madras Chamber of Commerce as well as the Bengal Chamber of Commerce giving us the landed prices. The landed price according to them is the c.i.f. price *plus* $\frac{1}{2}$ per cent. and the wholesale price according to them is the c.i.f. price *plus* duty *plus* 5 per cent. addition due to the various charges that they have got to bear before the goods are marketable. So far as these various charges are concerned I want to get some sort of idea as to what is the percentage addition made in Bombay and how they are divided into the various heads. I wonder whether you have seen the memorandum of Bengal Chamber. If you are not able to answer that now, you can send the information later.

Mr. Hutson.—This is not how piecegoods are sold in the Bombay market. The majority of my firm's piecegoods are sold on c.i.f.c.i. basis.

Mr. Rahimtoola.—C.i.f.c.i. means 5 per cent. on c.i.f.

Mr. Hutson.—It doesn't. It means our cost, insurance, freight *plus* whatever profit we think we can make from $\frac{1}{2}$ per cent. to whatever we consider possible.

Mr. Rahimtoola.—We are given to understand that c.i. charges are approximately 5 per cent.

Mr. Hutson.—It is variable. In Calcutta they calculate the interest on the landing charges for 3 months at 4 per cent. We don't sell on these terms.

Mr. Rahimtoola.—Take the imported c.i.f. price. Do you add $\frac{1}{2}$ per cent. to make it a landed price?

Mr. Hutson.—Landing charges and brokerage.

Mr. Rahimtoola.—It comes to $\frac{1}{2}$ per cent.

Mr. Hutson.—It depends on the value of goods. Landing charge is 10 annas a package.

Mr. Rahimtoola.—The value of the package is Rs. 400 on an average.

Mr. Hutson.—Rs. 200 to Rs. 1,500.

Mr. Rahimtoola.—What percentage should we take in arriving at the figure? I must have the details of these prices in order to have a comparison with the prices of imported goods in other markets.

Mr. Hutson.—Messrs. Ralli Brothers are very much in the same position as in Calcutta.

Mr. Rahimtoola.—What is the general practice in Bombay? You have given us three kinds of prices. Let us take these one by one into consideration in order to understand the problem better. You have given us the c.i.f. net price, you have given us the landed price and you have given us the bazaar price. What are the details of them? I can understand the c.i.f. price, because that is the price at which you get it from home.

Mr. Hutson.—That is right.

Mr. Rahimtoola.—What is the landed price?

Mr. Hutson.—C.i.f. plus landing charges and brokerage.

Mr. Rahimtoola.—What do you add to that?

Mr. Hutson.— $\frac{1}{2}$ per cent. would be about right.

Mr. Sotiriadi.— $\frac{1}{2}$ per cent. for landing charges, $\frac{1}{2}$ per cent. for brokerage and $\frac{1}{2}$ per cent. for insurance.

Mr. Rahimtoola.—That is included in the landed price. I am now differentiating between the three prices that you have given us.

Mr. Sotiriadi.—Landed price = c.i.f. plus landing charges.

Mr. Rahimtoola.— $\frac{1}{2}$ per cent. over the c.i.f.

Mr. Hutson.—Yes.

Mr. Rahimtoola.—What is the bazaar price?

Mr. Hutson.—The price at which goods may be purchased in the bazaar.

Mr. Rahimtoola.—What is the addition that you make over the landed price?

Mr. Hutson.—It may be higher or lower. The bazaar price is the actual price at which the dealer in the bazaar is prepared to sell the cloth.

Mr. Rahimtoola.—When an importing house sells to the bazaar dealer, he puts in a certain amount of his charges over and above the landing charges.

Mr. Sotiriadi.—Sometimes he does and sometimes he doesn't. He tries to make a profit.

Mr. Rahimtoola.—Apart from the profit, I am told that there are certain charges to be incurred. You have none in Bombay.

Mr. Sotiriadi.—30 days at $\frac{1}{2}$ per cent.

Mr. Rahimtoola.—What discounts are generally allowed? I want to draw your attention to the reply to our questionnaire given by the Millowners' Association in which they have specified the discounts allowed in the Bombay market and the brokerage.

Mr. Sotiriadi.—We have taken them into consideration.

Mr. Rahimtoola.—Have you been able to check the wholesale market prices given by the Bombay Millowners' Association? I was told they have obtained them from the Collectors of Customs.

Mr. Hutson.—The majority of them are approximately correct. One that is wrong is Number 34. Instead of 245, it should be 345. Some others are not Bombay qualities. So we can't speak about them.

Mr. Rahimtoola.—In your letter dated 9th December, 1935, you say "the millowners have refused to compare current mill qualities with current imported qualities".

Mr. Hutson.—It was written under a misapprehension. We had not had copies at that time of Appendix F which was subsequently obtained. We withdraw.

Mr. Rahimtoola.—You further say that on all the styles in class I (two-thirds of the entire trade) the mills have undersold and captured Lancashire trade since 1930. What are the styles?

Mr. Hutson.—The principal styles in Bombay which have gone entirely are grey shirtings, dyed and red shirtings and white nainsooks.

Mr. Rahimtoola.—You say undersold. Is it a price cutting device?

Mr. Hutson.—It means underselling. If the price of the Lancashire cloth is Rs. 3, and the market price in India is Rs. 2-4-0, we cease to import from Lancashire.

Mr. Rahimtoola.—That can only mean if the cost price of that is higher they are underselling it or making a loss in order to capture the market. Is that the point of view you wish to put forward?

Mr. Hutson.—Actually they have gone further. In the case of these articles and white nainsooks in particular, prices have been lower than the prices of Lancashire to meet the competition of Japan or their own mills.

Mr. Rahimtoola.—What do you mean by 'undersold'? Do you mean that there are certain mills who sell irrespective of the cost in order to capture the market, so that when they get the monopoly, they can make up the loss.

Mr. Hutson.—That was not our intention. We suggest that the mills could afford to sell at their current selling rates.

Mr. Rahimtoola.—Are the mills' prices not unremunerative?

Mr. Hutson.—We have no information on that point.

Mr. Rahimtoola.—What do you mean when you say undersold?

Mr. Hutson.—There is no insinuation at all.

Mr. Rahimtoola.—In the next paragraph you say: "It is well known that in Lancashire two mills, both of whom have made cloths such as these many times, will actually differ on the same day by 7 to 10 per cent. in price". What exactly do you wish to convey? Is that the same cloth?

Mr. Hutson.—We are trying to convey the difficulty of costings—theoretical costings of a cloth.

Mr. Rahimtoola.—We have been supplied with the actual costings of the Bombay mills. They are confidential. Therefore we are not in a position to discuss them with you., I am only asking you whether the manufacturing charges differ from one mill to another, from 7 to 10 per cent. in Lancashire mills.

Mr. Hutson.—I should not think so.

Mr. Rahimtoola.—You mean that we can't take a cloth into consideration unless the cloth is made four or five times.

Mr. Hutson.—The Bombay Millowners' Association in their representation have given their costings for Manchester goods which they have not actually made themselves. Those are theoretical costings. I am trying to show that such costings are extremely unreliable.

Mr. Rahimtoola.—In Appendix F they have given the costings of the cloths they are actually making.

Mr. Hutson.—I have not seen them.

Mr. Rahimtoola.—The object of protection, as you will agree, is the development of the industry. It is quite legitimate for the mills to say that they would like to make qualities which are at present being imported and placed before us the costings of these qualities in order to justify the degree of protection.

Mr. Hutson.—Our criticism was levelled at the alleged fair selling prices which are not as far as I understand it for cloths which they are making.

Mr. Rahimtoola.—The object which they have given their costings as I understand is this. They are applying for protection for a definite period and it is quite natural that they should inform the Board that there is no inherent disability to manufacture these new qualities if adequate protection was granted.

Mr. Hutson.—Yes.

Mr. Rahimtoola.—You talk of piece dyed goods. What exactly has been captured by the local dye works?

Mr. Hutson.—I will give you a concrete case. One of the most imported trades for a long time in Bombay was the import of grey shirtings dyed by the United Kingdom in Glasgow. The whole of this trade has gone into the hands of Indian mills.

Mr. Rahimtoola.—Are the Indian Mills doing their own bleaching and dyeing?

Mr. Hutson.—Yes. The mills are "The Bombay Dyeing".

Mr. Rahimtoola.—Is there keen competition between them?

Mr. Hutson.—Not in this particular style.

Mr. Rahimtoola.—Has the Lancashire trade been affected by the local dye works?

Mr. Hutson.—In this particular instance it has been wiped out.

Mr. Rahimtoola.—You take exception to the millowners' request for extra duties and special protection on fine goods, i.e., goods manufactured from imported cotton. You already know that this is outside our terms of reference. We are not asked to consider the question of substantive protection to the industry.

Mr. Hutson.—The proposal is outside the terms of reference.

President.—We have got to equate prices all along the line.

Mr. Hutson.—If you decide to have differential duties, it does come under the terms of reference. The terms of reference definitely excludes a proposal to put a differential duty on the finer goods.

Mr. Rahimtoola.—At present fine goods are protected by the Act of 1934.

Mr. Hutson.—Not as fine goods, but as piecegoods generally.

Mr. Rahimtoola.—That is the present enquiry. We are not now asked to recommend protection to the fine count goods only.

Mr. Hutson.—No.

Mr. Rahimtoola.—We are only asked to protect Indian goods against Lancashire goods.

Mr. Hutson.—But the Millowners have said in their representation you admit that you are not asked by the Government to do so.

Mr. Rahimtoola.—May I draw your attention to paragraph 16 of their supplementary representation. That is what you have in mind when you are discussing this point.

Mr. Hutson.—Yes.

Mr. Rahimtoola.—There they only want to emphasise and substantiate the statement which they have given in paragraph 7. It does not mean that they are asking for differential duties. To a certain extent they want an increase in the present rates of duties and they are indicating in what lines they require an increase in the duties. When I discussed the question of duties with them, they drew our attention to the terms of reference and said that the level of duties must remain the same but that we could only raise or lower them.

Mr. Hutson.—They lay stress on the word level to which we do not agree.

Mr. Rahimtoola.—The Board will have to decide finally that question. May I refer you to paragraph 10? "Another important fact which the Tariff Board will have to consider when framing their conclusions is the indirect competition which exists between bleached goods and grey goods on the one hand and between printed and woven coloured goods on the other. In general the prices at which bleached lines are sold affect the prices which can be realized for grey goods and the prices at which printed goods are sold react on the prices obtainable for woven coloured goods and fancies generally."

President.—So that it would be necessary to take into account all the different factors; prices react all along the line.

Mr. Hutson.—We agree with you. In this particular line we have ourselves found that the printed sari trade which used to go to the United Provinces is entirely displaced by a different thing—the woven mill sari—which is not printed at all since the prices of Manchester printed goods went up. Further we have drawn your attention to the point that we are opposing the increased duties on prints because we see the increased duties on prints as opposed to other styles would accelerate this displacement. It is quite possible that the printed trade would largely cease.

President.—The competition would then be not between printed goods and printed goods but between printed goods and woven goods. We appreciate that.

Mr. Rahimtoola.—I have not been able to understand the point which was raised this morning with regard to prices. I have not been able to follow you when you say that the selling prices should be taken into consideration. The Board has been asked under the terms of reference to take the fair selling prices with regard to Indian mills' goods.

Mr. Hutson.—Quite so.

Mr. Rahimtoola.—Not the actual prices which are at present obtained in the market?

Mr. Hutson.—Quite so.

Mr. Rahimtoola.—In all the previous enquiries, including cotton, the Board has laid down a certain procedure as to how to arrive at the fair selling prices. I don't think you object to our going into the question of those items in arriving at their fair selling prices.

Mr. Hutson.—I must object. If prices given in paragraph 7 of the supplementary statement of the Bombay Millowners' Association are fair selling prices, they are highly objectionable.

Mr. Rahimtoola.—I now understand your objection. These are the fair selling prices which are given by the Bombay Millowners' Association and not accepted by the Board as such. The Board has expressed no opinion. The only point which I have in mind when I am putting this question is this: Should the Board not adopt the same procedure as was done previously in arriving at the fair selling prices of the Indian goods before equating them with the imported goods? It may be that the realized prices may be equal to the prices which the Board may determine as fair selling prices I want to correct a wrong notion. You need not think that the Board has

accepted the fair selling prices given in the Supplementary representation of the Bombay Millowners' Association.

Mr. Hutson.—The duties will come to about 80 per cent. in some cases.

Mr. Rahimtoola.—The details have not been supplied to you.

Mr. Hutson.—Even so, we do not regard the costings of that nature divorced from selling prices as satisfactory. We are far more likely to arrive at the fair selling prices by taking the prices at which the mills which are making profits actually sell their goods.

Mr. Rahimtoola.—I do not know whether you wish us to deviate from the past practice in spite of the fact that we have been asked to take into consideration only the fair selling prices for the purpose of equation.

Mr. Hutson.—If you had a mandate

Mr. Rahimtoola.—That is how I read it. Government have specified what is meant by adequate protection. They say that by adequate protection is meant duties which will equate the prices of imported goods to the fair selling prices of similar goods produced in India.

Mr. Hutson.—The question is what is a fair selling price.

Mr. Rahimtoola.—I have told you the past practice of the Board. You say the actual or realised price. The fair selling price will depend upon the percentages allowed for depreciation, interest on working capital, managing agents' commission, interest on block account, and various other things. I am asking you whether the Board should not take the structure on which the fair selling price is based into consideration irrespective of the prices in the market.

Mr. Hutson.—We find that the prices arrived at by such methods appear to us to be so divorced from the prices at which the mills actually do business and make money that we have considerable hesitation in accepting it.

President.—You are referring to this particular statement which admittedly is a table based on the amplification of mills' figures applicable to a certain cloth but what Mr. Rahimtoola is referring to is some method which may be decided later on in arriving at the fair selling prices which we have to compare with your imported prices.

Mr. Hutson.—I was thinking of the conclusions of the last Tariff Board.

President.—Never mind the last Tariff Board.

Mr. Rahimtoola.—The last Tariff Board report was not accepted by Government as regards the rates of duties. That is why I have made it clear that the basis on which the fair selling price is calculated has been adopted not only by the last Tariff Board but in all previous enquiries conducted by the Tariff Board such as paper, steel, etc.

Mr. Hutson.—Each Tariff Board has laid down that basis. We do not like that.

Mr. Rahimtoola.—In spite of the fact that we are asked to arrive at the fair selling prices of the Indian goods.

Mr. Hutson.—We think that the fair selling prices could be arrived at by a different system.

President.—You suggest—and after all we must pay due deference to your suggestion—that the fair selling price could be arrived at by a different method. What method would you suggest? You say that the selling prices or realised prices may be taken as fair selling prices. I thought I tried to convey to you that the intervention of a third party made it undesirable to confine yourselves to selling prices. We do not think that it would be fair to judge the question solely by the realised prices.

Mr. Hutson.—When a mill sells something at a certain price, you have definite data which can be proved.

President.—I give you a concrete case. Take the case of a mill in Bombay. It is obviously over capitalised. How are we to proceed on its figures? We have in India so many mills. Are we going to look through the costings of all the mills? How are we to take the average?

Mr. Hutson.—What we want you to do is to take the prices at which goods have been sold. The market level is the same for all, whether efficient or inefficient. The efficient make money and the inefficient lose money.

President.—The Lancashire price is Rs. 10. The mills' price is Rs. 10. A third party comes in and says Rs. 8. Both of you either shut down or sell at Rs. 8. What next?

Mr. Hutson.—The mills obtain protection against that.

President.—If you are an importer you shut down your business. You want concrete cases and I am giving you one. The importer's price is Rs. 10 and the other price is Rs. 10. Somebody comes in and sells at Rs. 8. You say that the duty of the mills is to appeal to Government. They do so. We simply have to give protection. That is not what we are here for. We are here to equate the prices as between the two to Rs. 8.

Mr. Hutson.—Do you say that Lancashire has come in and forced the price down?

President.—No.

Mr. Hutson.—With the third party we are not concerned now.

Mr. Rahimtoola.—Can you tell us how the prices are regulated in this country?

Mr. Hutson.—By the law of supply and demand.

Mr. Rahimtoola.—Also by the extent of competition in particular lines.

Mr. Hutson.—Yes.

Mr. Rahimtoola.—Then the internal competition may reduce the prices and make them unremunerative.

Mr. Hutson.—Yes.

Mr. Rahimtoola.—Suppose some styles are sold at unremunerative prices, can we say that they are fair selling prices?

Mr. Hutson.—How would you determine that those qualities are sold at unremunerative prices?

President.—I see now your point of view completely. After all, you are an importer and you have to fix in the Indian market certain prices. It is nothing to you how the prices go. The fact is that you cannot sell your goods. That is your point of view. On the other hand there is the mill point of view which is manufacturing goods and finds for one reason or another that goods cannot be sold at a profit and that is why we are here. We have to adjust the *plus* and *minus* in such a manner that you get business and the Indian manufacturer gets his fair selling price which means adequate protection and fair return on his money. I find that you are not tying us down solely to selling prices.

Mr. Hutson.—You have brought in a case of a third party and if you say that he is selling at Rs. 8, there is no reason to put the duty on the other who is selling at Rs. 10.

President.—Your price is 10 and the mills' price is 10 and we say that the mill chooses to sell at 8 because Japan is there. You say that we should take the mills' price as 8.

Mr. Hutson.—I don't think that is the actual fact.

President.—I have got your idea. You say that we should take the selling prices when we are up against prices?

Mr. Rahimtoola.—As regards your statement about the imports of nainsooks, you say "there are no imports of white nainsooks from the United Kingdom".

Mr. Hutson.—These are the imports.

Mr. Rahimtoola.—You have given us figures for 1934 and for 1935. Have you seen the Bombay Millowners' Association's figures?

Mr. Hutson.—The figures are not complete for 1935 in No. I and so we took additional figures to show the total imports from overseas for this year.

Mr. Rahimtoola.—There are only three firms which are importing.

Mr. Hutson.—No.

Mr. Rahimtoola.—I only want to understand. It is not quite clear.

Mr. Hutson.—The argument is *a fortiori*. In 1934 three firms alone imported 114 bales. In 1935, although we have not got complete figures in six months the whole import is only 20 bales.

Mr. Mudaliar.—As regards nainsooks, you have confined yourself to the Bombay harbour.

Mr. Hutson.—Yes.

Mr. Mudaliar.—To have a fair estimate, you must take the whole imports into India.

Mr. Hutson.—Certainly.

Mr. Mudaliar.—As a matter of fact, the imports of nainsooks have gone up, at any rate so far as the figures for 1934 are concerned. These are the figures:—

1931	.	.	.	.	.	.	.	.	8 million yds.
1932	.	.	.	.	.	.	.	.	7 " "
1933	.	.	.	.	.	.	.	.	5 " "
1934	.	.	.	.	.	.	.	.	11 " "

What inference do you want us to draw from these figures?

Mr. Hutson.—What is the source of origin?

Mr. Mudaliar.—From the Bombay Millowners' Association.

Mr. Hutson.—From what source?

Mr. Mudaliar.—From the import figures.

Mr. Hutson.—From the United Kingdom alone?

Mr. Mudaliar.—Yes, into all the ports in India.

Mr. Hutson.—Japanese figures are not included in them.

Mr. Mudaliar.—They are separate. If you want I can give them to you. Therefore it can be fairly contended that if you are going to divide the trade decline in some particular style, the fairest thing would be to take all India figures.

Mr. Hutson.—Some of our arguments are local and you must make some allowance for that.

Mr. Mudaliar.—You have told us about the woven coloured goods displacing the printed goods in the United Kingdom market. You do not suggest for the purpose of equation we can take printed goods and woven goods.

Mr. Hutson.—No.

Mr. Mudaliar.—You have to take the printed goods as against printed goods.

Mr. Hutson.—Yes.

Mr. Mudaliar.—While it is true that one may displace another, that is too wide a range to take for practical purposes.

Mr. Hutson.—That I admit. You must obviously compare similar goods.

Mr. Mudaliar.—I am not on the question of prices. Even on the question of demand and supply woven coloured goods may have been consumed in larger quantities than before and printed goods may have been consumed

in smaller quantities, but what I want to point out is that it does not follow that the one has displaced the other: it may be that the printed is not within the easy reach of the purchaser whereas the other is within the reach of the purchaser. Do you call that comparable?

Mr. Hutson.—I would say so.

Mr. Mudaliar.—They are more or less comparable in the minds of the consumer, but that is in a narrower sense. Would you say, for instance, that white goods and bleached goods displace printed goods?

Mr. Hutson.—I find it difficult to generalise.

Mr. Mudaliar.—Will you make any difference between displacement and substitution?

Mr. Huston.—I have not given the matter any consideration.

President.—You attach importance to displacement; others attach importance to substitution. Can you draw any distinction?

Mr. Huston.—I should not make any distinction. Perhaps I should use substitution in the narrower sense when you are talking of a man purchasing one piece of cloth for another, and displacement is wholesale displacement. Take for example Japanese artificial silk goods displacing a great number of articles in different styles and substitution will be where a man who buys, say, grey dhoti may go in for finer ones.

President.—Displacement is wholesale and substitution retail!

Mr. Mudaliar.—In your original Appendix B, I want to understand what you are driving at. You have tried to put forward two qualities, the one United Kingdom and the other Indian, and have tried to show whether the consumer or the dealer feels that one is more or less comparable with the other in a non-technical way. That is to say, if a dealer were to choose between these two, he would choose one for the other more or less on price considerations and so will the consumer?

Mr. Hutson.—Yes.

Mr. Rahimtoola.—I want to be clear in my mind as to how far we are going to take into consideration the several items which the millowners have pointed out, namely the style, durability, feel, which from the point of view of both the dealer and the consumer have their patronage. It may be that ultimately when equations have been made certain allowances have to be given, but you have to approach the question so far as this appendix is concerned from that point of view.

Mr. Hutson.—Exactly, Sir.

Mr. Rahimtoola.—In our terms of reference we are told to equate similar goods. So far as your case is concerned you are confining yourselves to 'similar' from the point of view of the dealer and the consumer.

Mr. Hutson.—That is so.

Mr. Rahimtoola.—You have told us that there is some committee of yours which tries to settle disputes between the dealer and the importer at the other end by arbitration?

Mr. Hutson.—Yes: that question was raised in connection with expert knowledge.

Mr. Rahimtoola.—What is the kind of expert knowledge which the committee brings to bear? Do they look at it from the point of view that I have been putting forward that is to say, durability and feel, or do they go into reeds and picks and counts of yarn?

Mr. Hutson.—It is a combination of the two. We first determine as far as possible by an actual examination of the piece under a microscope and by the feel and touch of the article whether there is any difference detectable.

Mr. Rahimtoola.—Does the dealer contract for any particular counts of yarn and reed and pick?

Mr. Hutson.—No, only the bare sample.

Mr. Rahimtoola.—The dealer must be a non-technical person. In the case of goods where supposing there is no distinctive trade mark, what he does is that he simply gives a description and quality of the goods that he wants?

Mr. Hutson.—He would normally have goods which he has bought before. He will refer to the actual contract that he had with the importing company on a previous occasion and say that he wants goods according to that contract.

Mr. Rahimtoola.—Would there be any question of reed and pick in the contract or the count of yarn? The dealer or the wholesale merchant must be a non-technical person; he takes the sample in his hand and he takes the goods that have arrived and says "in my opinion this sample is much better than the goods which have just arrived". There is a difference of opinion between one end and the other and the case goes before you and with the expert knowledge that you have you try to find out whether the sample is comparable with the goods that have arrived?

Mr. Hutson.—That is so. That examination may be described as semi-expert but if we discover any difference we assess that difference largely on the market difference between the two.

Mr. Rahimtoola.—Where you do come to the conclusion after such expert examination that there is difference and there is damage to the man at this end, how do you assess that damage?

Mr. Hutson.—The principal consideration would be the loss which the buyer at this end has been involved in through the contract not being carried out properly.

Mr. Rahimtoola.—The loss being estimated on what basis?

Mr. Hutson.—On the market basis.

Mr. Rahimtoola.—That is to say you come to the conclusion that if this cloth goes to the market it will fetch say 4 annas less than the sample cloth and in arriving at that conclusion may I ask what percentage of weight you attach to the count of yarn, reed and pick and what percentage to other considerations?

Mr. Hutson.—I am afraid you can hardly analyse that. As a matter of fact it is not very often that complaints are received that a cloth is wrong in both count and reed and pick and in such circumstances we probably cancel the contract with the manufacturer.

Mr. Rahimtoola.—I suppose there are cases where you say it is true that there is this difference in reed and pick but this is the margin which can be allowed and within this margin there is no question of damage even though there is slight difference in reed and pick between this cloth and the sample.

Mr. Hutson.—That would be an extremely narrow margin.

Mr. Rahimtoola.—You have given us in your letter which has just been received a criticism of the Indian samples and the United Kingdom goods: I am referring to your letter of the 18th December. You point out there that in some cases "while the samples produced by the millowners are not always comparable samples, there are other comparable goods which have been produced by millowners". Can you produce those samples?

Mr. Hutson.—We are working on them. We are embarrassed by the fact that our Lancashire friends have had necessarily to apply to us for a good deal of information and certain things are being put through them. They have no bazaar experts.

Mr. Rahimtoola.—What I had in mind was this. You say "Finlay Mills quality dhoti No. B. 32. The price given for Messrs. Forbes Forbes Campbell & Co.'s "Napolean" UK51 is correct, but "Napolean" suffers competition from Standard Mills "Naya Sagar" quality". I should like to have that quality because you say that is a nearer comparison than the one actually produced by the millowners.

Mr. Hutson.—That is the line we are at present working on. We are trying to obtain comparable samples.

Mr. Rahimtoola.—I find with reference to yarn you say nothing has been imported below 32s and 40s during the last three years. Our import statistics do not bear that out.

Mr. Hutson.—This is in our original memorandum.

Mr. Rahimtoola.—Yes.

Mr. Hutson.—There is no yarn available.

Mr. Rahimtoola.—You are confining your attention to the Bombay market in this case also?

Mr. Hutson.—Yes. We have no knowledge of prices in other markets.

Mr. Rahimtoola.—I can understand this of particular brands or particular qualities but you say there are no 32s or 40s imported into the Bombay market.

Mr. Hutson.—A month or two ago I was asked by a mill to go into the business for two-folds yarn that they manufacture and they asked me if I could beat at the price quoted by the mill English or Japanese lines and I said I could beat the Japanese at this price but that English yarns were not in the market at all.

Mr. Mudaliar.—The mills have given us the wholesale market prices of United Kingdom yarn in Bombay and they give us 32s grey Queen ticket. You can make a note of it.

Mr. Hutson.—We can answer that now.

President.—If you read the answer to question 5 (b) of our questionnaire given by the Bombay Millowners' Association, they say "The wholesale prices, with the details of selling commissions or selling charges, at important distributing centres of imported goods mentioned in reply to question 5 (a) should also be given". The Bombay people have given us a statement (Appendix B) which shows the wholesale market prices of 7 standard lines of United Kingdom cotton piecegoods in Bombay, Calcutta and Madras. We will pass on to you the wholesale market prices and if you have no objection we will pass on to them your wholesale prices (statement of wholesale prices handed in).

Mr. Hutson.—In regard to 32s Queen ticket these have not been imported for the last seven years; they were last imported in 1927 or 1928.

Mr. Mudaliar.—They have given market prices up to April, 1934.

Mr. Hutson.—Nevertheless goods have not been imported.

President.—Do you generally deal in yarns as well as piecegoods?

Mr. Hutson.—We do.

President.—Do you import large amounts of United Kingdom yarns of different counts?

Mr. Hutson.—Very small quantities.

President.—To whom do you sell: to dealers to meet the requirements of handloom weavers or to meet the requirements of mills?

Mr. Sotiriadi.—In Madras to handloom weavers.

President.—And here?

Mr. Sotiriadi.—Mostly to handloom weavers.

President.—Therefore you will be able to check from your own knowledge the prices the millowners have given in that statement.

Mr. Sotiriadi.—Yes.

Mr. Mudaliar.—You must know the practice in the Custom Houses. What is the allowance they make on the wholesale market prices in charging the duty? Is the millowners' statement correct?

Mr. Hutson.—I think that may be taken as correct. We very often quote a nett price.

Mr. Mudaliar.—I want to work back to the landed price excluding discount. In their memorandum the Millowners have given what they call wholesale prices and they have given theoretical costings. What allowance should I make to get at the landed price excluding duty?

Mr. Hutson.—The allowances which the Millowners mention in reply to No. 5(b) of the questionnaire *plus* whatever the profit which the dealer is making *plus* his carrying charges which would depend on how long he had the goods.

Mr. Mudaliar.—Are you referring to the practice in the Customs or are you referring to the practice in the trade?

Mr. Hutson.—The Appraiser will put in a note to show the market rate which he obtains and the discount which he deducts from that.

Mr. Mudaliar.—Do you know the discount he deducts?

Mr. Hutson.—It is corroborated by the Millowners' Association.

Mr. Mudaliar.—That is to say he deducts from the wholesale price $4\frac{1}{2}$ per cent. for discount and $\frac{1}{2}$ per cent. for brokerage amounting in all to $5\frac{1}{2}$ per cent.

Mr. Hutson.—Yes.

Mr. Mudaliar.—The Millowners themselves say that it is only 4 per cent.

Mr. Rahimtoola.—I want to know whether you are interested in artificial silk piecegoods and mixture fabrics from the United Kingdom.

Mr. Hutson.—There are hardly any.

Mr. Rahimtoola.—I understand that a certain amount of artificial silk piecegoods and mixture fabrics is coming in.

Mr. Hutson.—Very small.

Mr. Rahimtoola.—I am not talking of the quantity. Your proposal is that the specific duty should be abolished and the *ad valorem* duty should be reduced from 30 per cent. to 20 per cent. I want to know whether you have gone into the question of equating prices.

Mr. Hutson.—I am afraid it is extremely difficult for us. The competition is mainly from Japan and China. It is entirely Japanese competition. Our position is really that the artificial silk goods such as underwear coming in from England are of a much higher grade. They are expensive goods. I don't think there is likely to be business in low Japanese artificial silk goods. That is why we suggest that the duty could be reduced without any danger to anybody.

President.—We must know the extent of the business. Both of you say that the trade is monopolised by the Japanese. How are we going to equate the prices?

Mr. Hutson.—Some form of trial and error will probably have to be tried.

President.—You want cent per cent. to be put on?

Mr. Hutson.—Something of that sort.

Mr. Mudaliar.—There is only one question which I want to ask to elucidate the point. As regards the list of differences which have to be taken into consideration in equating the prices to which you have referred, I want to refer to the last item. There are trade marks on both sides.

Mr. Hutson.—Yes.

Mr. Mudaliar.—There are definite qualities which have a mark of their own and which cannot be compared with any identical goods.

Mr. Hutson.—That is so.

Mr. Mudaliar.—You have also on the one hand the general swadeshi feeling in the country and on the other hand an equally strong feeling from some points of view that some particular types of English goods are preferred, because they are English goods. If I understand your suggestion aright, taking the whole range of goods on the one side or the other, these factors

could be left out of account altogether on the ground that one wipes out the other.

Mr. Hutson.—The factors are so incalculable that it would be the wisest course to adopt.

President.—In that connection as between Lancashire goods there must be fairly not identical but similar goods coming from the other side. Where mark differs materially, 'A mark' will probably fetch a better price than 'B mark'.

Mr. Hutson.—The trouble is when a mark is valuable in a certain style, it is apt to kill all others in the same style.

President.—Can you get that particular one?

Mr. Hutson.—Both the goods may be exactly the same. One can't compete against the other. The result of that is that other identical goods cannot come in, because the importer will lower his price, if necessary, by 4 annas or 8 annas to squeeze out the others.

President.—In actual practice as between mills there must be particular marks of mill manufactures, Ahmedabad mills or the Bombay mills or the Buckingham and Carnatic mills. Does that apply to all?

Mr. Hutson.—As a rule, I should say that the individual trade marks of mills are less important. Certain mills have reputation for certain styles rather than for individual trade marks. I think perhaps Binny's have got some trade marks in the country which are valuable. On the other hand a mill like the Sholapur Spinning and Weaving Mill, has a general reputation for certain styles.

President.—That is another point. A particular mill or a series of mills get reputation for supplying what they undertake to sell. That mill makes and always realises better prices than the mill which does not undertake.

Mr. Hutson.—On account of the differences in quality, you could not compare the whole range of one mill with that of another.

